



CONSULTATION PAPER

on Amendments to IFSCA (Fund Management) Regulations, 2025

Published on: **October 17, 2025**

A. Background

1. The International Financial Services Centres Authority (IFSCA), as the unified regulator for International Financial Services Centres (IFSCs) in India, has been consistently striving to nurture a world-class financial ecosystem at India's first IFSC, the Gujarat International Finance Tec-City (GIFT-IFSC). The confluence of a strong domestic economy, various policy measures taken by IFSCA, a conducive taxation regime accorded by the Government of India, policy initiatives undertaken by other domestic regulators, and the growing confidence of market participants and investors has contributed to the remarkable expansion of the fund management industry at GIFT-IFSC. Within a short span of three and a half years, the industry has exhibited a significant upward trajectory.
2. The fund management industry in GIFT-IFSC has been growing at a healthy pace and has attracted several domestic and foreign Fund Management Entities (FMEs) to set up their fund management business in IFSC. As on June 30, 2025, there are 177 FMEs registered with IFSCA, which have collectively launched 272 schemes. These schemes have garnered cumulative commitments of USD 22.11 billion and have made cumulative investments of USD 11.27 billion. In rupee terms, the cumulative investments have crossed INR 95,000 Crore. The largest share (~85%) of these investments has been channelled to India, a testimony of IFSCA's commitment to '*onshore the offshore*', while also creating a seamless conduit for



the foreign investors, Non-Resident Indians (NRIs) and Overseas Citizens of India (OCIs), looking to invest into and participate in the growing Indian economy.

3. Out of the 272 schemes, there are 16 Venture Capital Schemes (including Angel Schemes), 88 Category I & Category II Restricted Schemes, and 166 Category III Restricted Schemes. Further, 2 (two) Retail Schemes have also obtained authorisation, marking a major milestone in the broadening of the funds landscape in IFSC.
4. The IFSCA (Fund Management) Regulations, 2022, which were notified in April 2022, effectively laid the regulatory foundation of the fund management industry in IFSC. To further strengthen the regulatory ecosystem at IFSC, and as part of its continued commitment to streamlining regulatory processes, enhancing ease of doing business, and reducing compliance burden, IFSCA undertook a comprehensive review of the IFSCA (Fund Management) Regulations, 2022. Following a robust consultation process, the IFSCA (Fund Management) Regulations, 2025 (FM Regulations) were published in official gazette on February 19, 2025.
5. While the overarching principle of registering an FME with it being permitted to undertake a host of fund management activities and the overall regulatory framework remains the same, changes were undertaken to usher in further ease of doing business, clarify the intent of certain regulatory provisions and introduce safeguards as are deemed necessary for the protection of investors' interest.
6. Further, in its endeavour to position GIFT-IFSC as the preferred jurisdiction for fund management activities, several other measures have been taken by IFSCA subsequently, as demonstrated below:



- a. IFSCA has introduced a reform on [Third-Party Fund Management Services](#), enabling FMEs in IFSC to launch and manage Restricted Schemes on behalf of third-party fund managers with certain additional safeguards.
 - b. A dedicated framework permitting [co-investment](#) through Special Purpose Vehicles has also been introduced to provide a regulated mechanism for co-investments related activities.
7. Further, analysis of and data related to the fund management activities in GIFT-IFSC is presented in **Annexure 1**.

B. Agenda of the Consultation Paper

1. In pursuit of its mandate to develop a robust, transparent, and globally competitive fund management ecosystem, and as part of its continuous endeavour to streamline regulatory processes, IFSCA actively seeks suggestions from market participants during several round-table discussions and industry conclaves.
2. Further, as one of its outreach initiatives, IFSCA has organised *Chintan Shivir 2025*, where several leaders from the fund management and allied industry were invited to share their outlook and suggestions, which have provided IFSCA with additional suggestions for its consideration.
3. Moreover, taking into consideration the key suggestions received as above, the Consultation Paper encapsulates a series of proposals for amendments to the FM Regulations. These proposals have been broadly categorised under the following 3 categories (or a combination of these):



- i. **Proposals aimed at enhancing Ease of Doing Business (EoDB):** In IFSCA's interactions with the industry participants, some of the areas have been identified where the FMEs in IFSC are likely to experience operational hassles. Such proposals have been categorized as 'EoDB'. These proposals are aimed towards bringing in efficiency by streamlining processes/timelines, reducing operational issues and the compliance burden.
 - ii. **Proposals aimed at introducing additional Safeguards:** Given the notable pace of growth of fund management activities in IFSC, it is imperative that a healthy culture of compliance is nurtured amongst the FMEs by, inter alia, ensuring adequate regulatory safeguards. These proposals are expected to lead to better protection of the investors in IFSC funds and orderly growth of business activities in IFSC. Such proposals have been categorized as 'Safeguard'.
 - iii. **Proposals aimed to provide Clarifications:** The proposals are aimed to address drafting related issues, enhance readability of the FM Regulations or provide clarity of the regulatory intent. Such proposals have been categorized as 'Clarification'.
4. The list of the provisions of the FM Regulations which are proposed to be amended and the rationale for the same, along with the proposed text of amendment, is placed at **Annexure 2**. Each of these proposals are specifically tagged under one or more of these categories – "EoDB", "Safeguard" and "Clarification", to adequately represent the intent behind the proposal.
 5. In addition to the above, IFSCA, in order to facilitate innovation and support investments in sectors which are socially desirable, is planning to separately issue a Consultation Paper with the proposal to institute a regulatory framework for



differential distribution in Restricted Schemes and Venture Capital Schemes with a view to facilitate blended finance and other fund structures. The Comments on the same may be provided to IFSCA in the manner as provided in the said Consultation Paper.

C. Public Comments

1. Comments and suggestions from the public are invited on the amendments proposed to the FM Regulations, as listed in **Annexure 2**.
2. Comments may be sent by email to **Mr. Bharat Singh**, Assistant Manager, IFSCA at bharat.singh@ifsc.gov.in and **Mr. Abhineet Panwar**, Assistant Manager, IFSCA at abhineet.panwar@ifsc.gov.in with a copy to **Mr. Aditya Sarda**, Deputy General Manager, IFSCA at aditya.sarda@ifsc.gov.in, latest by **November 06, 2025**.
3. The comments may be provided in the following format (MS Word or MS Excel only):

Name and Details of the Person / Entity [Organization name (if applicable), Contact No., Email address]				
Sr. No.	Paragraph No. (as per Annexure-2)	Regulation No.	Comments / Suggestions (along with revised text in line with the suggestion)	Detailed rationale (along with supporting information)

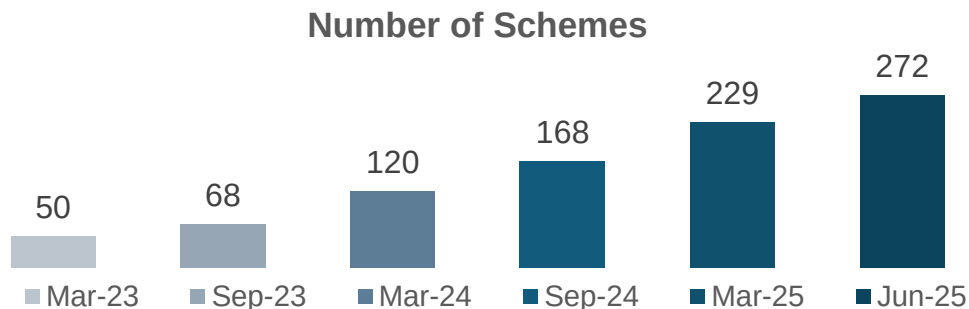
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Annexure 1

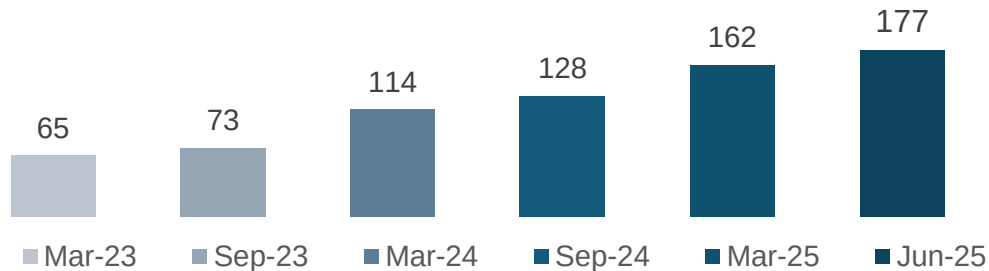
Fund Management Activities in GIFT-IFSC

1. The Fund Management industry has been growing at a healthy pace, which is reflected in the rising number of FMEs, schemes and the commitments / funds raised, or investments made by them, as depicted below. The remarkable expansion in a short span highlights the rapid evolution of the industry.
2. Since March 2023, the fund management industry in GIFT-IFSC has continued to expand at a remarkable pace. The number of FMEs has nearly tripled from 65 in March 2023 to 177 as on June 30, 2025, reflecting an average half-yearly growth rate of approximately 26%. Correspondingly, the number of schemes launched in the IFSC has increased more than five-fold to 272 as of June 2025, as against 50 schemes recorded on March 31, 2023, underscoring the investor confidence in the jurisdiction's regulatory framework.



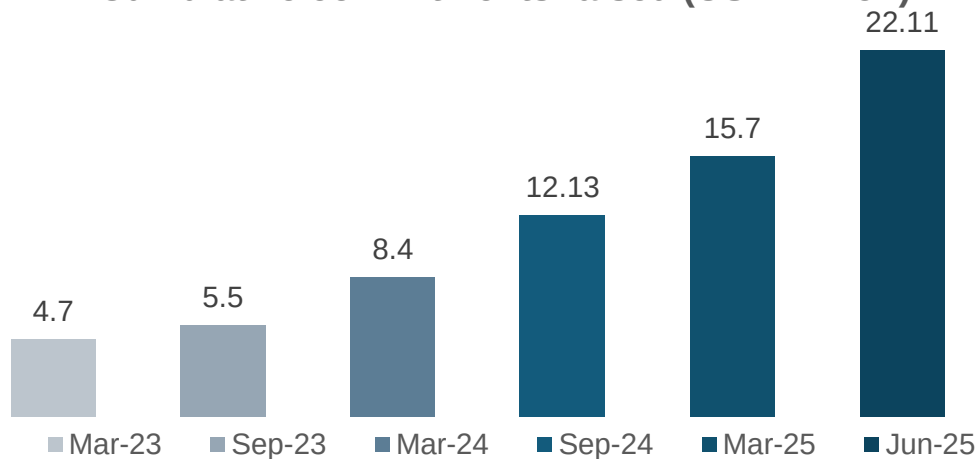


Number of FMEs



3. The cumulative commitments have also witnessed a substantial increase from USD 8.4 billion as at the end of March 2024 to USD 22.11 billion by March 2025. In the previous quarter (Q1 of FY 2025–26), commitments rose by an additional USD 6.41 billion, reflecting a noteworthy 40.5% growth over the previous quarter.

Cumulative commitments raised (USD Billion)

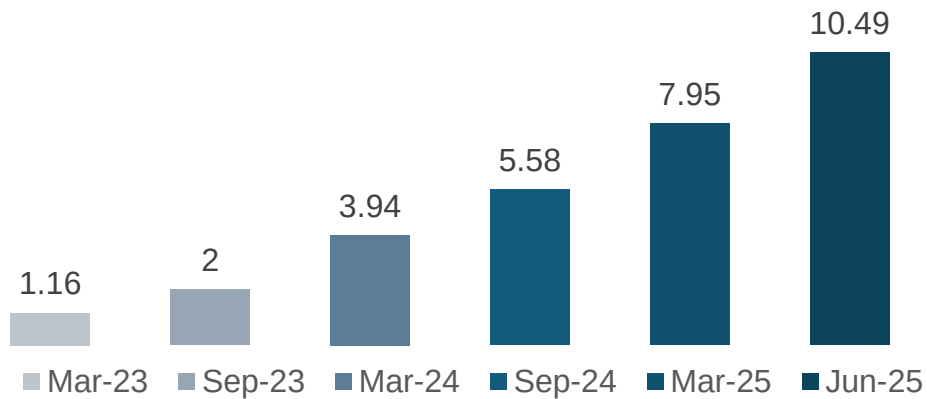


4. The cumulative investments made by the schemes has reached USD 11.27 billion, registering a 39.6% growth from March to June 2025, and the cumulative fund raised increased from USD 7.9 billion to USD 10.5 billion, demonstrating a 31.9% increase

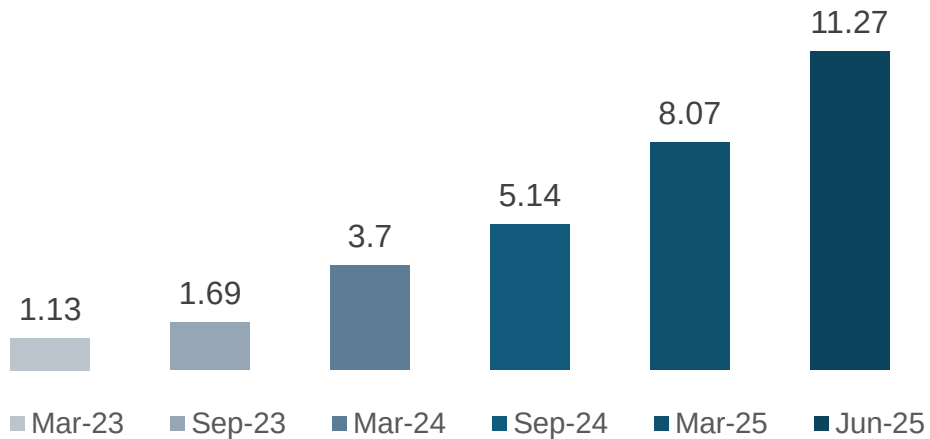


QoQ growth, underscoring investor confidence and efficient fund mobilisation. Furthermore, the cumulative funds raised, and the cumulative investments have also grown by 101.7% and 118% respectively, during the previous year.

Cumulative funds raised (USD Billion)



Cumulative investments made (USD Billion)





5. The growth of the fund management ecosystem in GIFT-IFSC is further evidenced by the number of global schemes relocated to this jurisdiction. Under a tax-neutral and seamless relocation mechanism provided by the Government of India, as of June 2025, a total of 22 schemes have relocated to GIFT-IFSC from other international financial centres, reflecting the rising confidence of fund managers in the regulatory stability, operational efficiency, and long-term growth potential offered by the jurisdiction, reinforcing its emergence as a globally competitive hub for fund management activities.

Schemes relocated to GIFT-IFSC (as of June 2025)			
Number of schemes	Cumulative commitments (USD Bn)	Cumulative funds raised (USD Bn)	Cumulative investments made (USD Bn)
22	5.87	2.95	3.67

6. As of June 2025, the number of investors in IFSC funds has crossed 3,500. Investors such as Sovereign Wealth Funds, Pension Funds, Endowment Funds, University Funds, large Family Offices, etc. from more than 60 countries have invested in IFSC Funds, which shows the rising acceptance of GIFT-IFSC as a jurisdiction for domiciling funds amongst the investor community. This diversified participation underscores the growing recognition of GIFT-IFSC as a credible and preferred jurisdiction for fund management activities.



Annexure 2

Amendments proposed to IFSCA (Fund Management) Regulations, 2025 (“FM Regulations”)

#	Existing Regulation	Proposed Regulation (Underlined text indicates proposed insertion and struck-through text indicates proposed omission)	Brief Rationale (including data point, global benchmarks, where applicable)	Amendment Type
CHAPTER I				
PRELIMINARY				
1	2(1)(d) “associate” means- (i) a company or a limited liability partnership (LLP) or a body corporate in which a director or trustee or partner of the FME or the FME or any fiduciaries as defined in regulation 17 of these regulations, either individually or collectively, hold twenty per cent. (20%) or more of its paid-up equity share capital or partnership interest, as the case may be; (ii) a company or a limited liability partnership or a body corporate, either individually or collectively, hold twenty	2(1)(d) “associate” means- (i) a company or a limited liability partnership (LLP) or a body corporate <u>a person</u> in which a director or trustee or partner of the FME or the FME or any fiduciaries as defined in regulation 17 of these regulations, either individually or collectively, hold twenty per cent. (20%) or more of its paid-up equity share capital or partnership interest, as the case may be <u>beneficial interest</u> ; (ii) a company or a limited liability partnership or a body corporate a	The concept of ‘associate’ has been relied upon at several instances in the regulations to ensure that the related-party transactions carried out under a scheme by the FME are undertaken only with the prior consent of the investors. This is intended to ensure integrity of FME’s dealings with its associates and transparency of fund management operations. Therefore, expanding the scope of ‘associate’ and making it more holistic in nature is expected to	Safeguard



#	Existing Regulation	Proposed Regulation (Underlined text indicates proposed insertion and struck-through text indicates proposed omission)	Brief Rationale (including data point, global benchmarks, where applicable)	Amendment Type
	per cent. (20%) or more of its paid-up equity share capital or partnership interest, as the case may be in the FME; (iii) Any other company or a limited liability partnership or a body corporate, in which the entity referred in clause (ii) above holds twenty per cent. (20%) or more of its paid-up equity share capital or partnership interest, as the case may be;	<u>person</u>, either individually or collectively, hold twenty per cent. (20%) or more of its paid-up equity share capital or partnership interest, as the case may be <u>the beneficial interest</u> in the FME; (iii) Any other company or a limited liability partnership or a body corporate <u>person</u>, in which the entity <u>person</u> referred in clause (ii) above holds twenty per cent. (20%) or more of its paid-up equity share capital or partnership interest, as the case may be <u>the beneficial interest</u>;	bring further transparency in the FME's related-party dealings.	
CHAPTER II REGISTRATION OF FUND MANAGEMENT ENTITY (FME)				
2	7(5)(b) In addition to the qualifications mentioned under clause (a), an experience of at least five (5) years in related activities	7(5)(b) In addition to the qualifications mentioned under clause (a), an experience of at least five (5) years in	The extant eligibility criteria for the KMPs have been prescribed with the intent to allow FMEs to readily	EoDB



#	Existing Regulation	Proposed Regulation (Underlined text indicates proposed insertion and struck-through text indicates proposed omission)	Brief Rationale (including data point, global benchmarks, where applicable)	Amendment Type
	in the securities market or financial products including in a portfolio manager, fund manager, investment advisor, broker dealer, investment banker, wealth manager, research analyst, credit rating agency, market infrastructure institution, financial sector regulator or consultancy experience in areas related to fund management, such as deal due diligence, transaction advisory or similar activities: <i>Provided</i> that the consultancy experience in areas related to fund management, such as deal due diligence, transaction advisory, etc. shall be considered for a maximum period of 2 years and experience in other areas as mentioned in sub-regulation (b) shall be required for at least 3 years:	related activities in the securities market or financial products including in a portfolio manager, fund manager, investment advisor, broker dealer, investment banker, wealth manager, research analyst, credit rating agency, market infrastructure institution, financial sector regulator or consultancy experience in areas related to fund management, such as deal due diligence, transaction advisory or similar activities: <i>Provided</i> that the consultancy experience in areas related to fund management, such as deal due diligence, transaction advisory, etc. shall be considered for a maximum period of 2 years and experience in other areas as mentioned in	appoint professionals with a reasonable work experience in a relevant profile and adequate educational qualifications without having to undergo any additional certification. However, the industry participants have expressed challenges in finding and retaining individuals with the extant eligibility criteria and have suggested to include an <u>alternative criteria</u> providing for lower threshold of work experience which may be additionally supplemented through certification.	



#	Existing Regulation	Proposed Regulation (Underlined text indicates proposed insertion and struck-through text indicates proposed omission)	Brief Rationale (including data point, global benchmarks, where applicable)	Amendment Type
	<i>Provided</i> further that for the KMP referred under sub-regulation (2), the experience mentioned in clause (b) shall be required for a minimum period of 3 (three) years, if such KMP possesses a professional qualification and has experience in compliance or risk management in a listed company or an entity regulated by a financial sector regulator. <i>Explanation.</i> – For the purposes of this regulation, the professional qualification shall include membership of Institute of Chartered Accountants of India, Institute of Company Secretaries of India, Institute of Cost Accountants of India or any institution equivalent thereto in a foreign jurisdiction, and for KMP referred under sub-regulation (2) it shall also include Bachelor of Laws	sub-regulation (b) shall be required for at least 3 years: <i>Provided</i> further that for the KMP referred under sub-regulation (2), the experience mentioned in clause (b) shall be required for a minimum period of 3 (three) years, if such KMP possesses a professional qualification and has experience in compliance or risk management in a listed company or an entity regulated by a financial sector regulator. <u><i>Provided</i> also that individuals with a post-qualification experience of at least 3 (three) years in a financial institution in IFSC, India or any foreign jurisdiction and who holds a valid certification in such</u>		



#	Existing Regulation	Proposed Regulation (Underlined text indicates proposed insertion and struck-through text indicates proposed omission)	Brief Rationale (including data point, global benchmarks, where applicable)	Amendment Type
	(LLB) from a university or an institution recognised by the Central Government or any State Government or a recognised foreign university or institution or association.	<u>subject and awarded by such institution as may be specified by the Authority.</u> <i>Explanation.</i> – For the purposes of this regulation, the professional qualification shall include membership of Institute of Chartered Accountants of India, Institute of Company Secretaries of India, Institute of Cost Accountants of India or any institution equivalent thereto in a foreign jurisdiction, and for KMP referred under sub-regulation (2) it shall also include Bachelor of Laws (LLB) from a university or an institution recognised by the Central Government or any State Government or a recognised foreign university or institution or association.		



#	Existing Regulation	Proposed Regulation (Underlined text indicates proposed insertion and struck-through text indicates proposed omission)	Brief Rationale (including data point, global benchmarks, where applicable)	Amendment Type
CHAPTER III SCHEMES FOR FUND MANAGEMENT PART A: VENTURE CAPITAL SCHEMES				
	19 (3) The placement memorandum for launch of the Venture Capital scheme shall be valid for twelve (12) months from the date of communication from the Authority to the FME that the placement memorandum has been taken on record, during which period the FME shall declare the first close of the scheme by achieving at least the minimum size of corpus as specified under sub-regulation (1) of regulation 23: <i>Provided</i> that if a FME fails to achieve the minimum size of corpus, as specified under sub regulation (1) of regulation 23, within the specified time period, it shall have the	19 (3) The placement memorandum for launch of the Venture Capital scheme shall be valid for twelve (12) months from the date of communication from the Authority to the FME that the placement memorandum has been taken on record, during which period the FME shall declare the first close of the scheme by achieving at least the minimum size of corpus as specified under sub-regulation (1) of regulation 23: <i>Provided</i> that if a FME fails to achieve the minimum size of corpus, as specified under sub regulation (1) of regulation 23, within the specified time period, it shall	While a one-time option is available to the FMEs to extend the validity of PPM, FMEs have expressed the need for greater flexibility in this regard to tackle the dynamic conditions for fund raising. <u>Related Provisions</u> Similar amendments are also proposed for Restricted Schemes (Regulation 31(3)).	EuDB



#	Existing Regulation	Proposed Regulation (Underlined text indicates proposed insertion and struck-through text indicates proposed omission)	Brief Rationale (including data point, global benchmarks, where applicable)	Amendment Type
	one-time option to extend the validity of the placement memorandum for a further period of six (6) months by paying fifty per cent. (50%) of the fee as applicable for filing of a fresh scheme.	have the one-time option to extend the validity of the placement memorandum for a further period of six (6) months, <u>wherein each such extension shall be filed to the Authority at such time when the placement memorandum is still valid and accompanied with a fee which is equal to</u> by paying fifty per cent. (50%) of the fee as applicable for filing of a fresh scheme.		
	22 (1) Subject to other provisions of these regulations, a Venture Capital scheme may invest only in the following instruments or entities in IFSC, India or foreign jurisdiction:- (a) Unlisted securities; (b) Securities listed or to be listed or traded on stock exchanges; (c) Money market instruments; (d) Debt securities;	22 (1) Subject to other provisions of these regulations, a Venture Capital scheme may invest only in the following instruments or entities in IFSC, India or foreign jurisdiction:- (j) Unlisted securities; (k) Securities listed or to be listed or traded on stock exchanges; (l) Money market instruments; (m) Debt securities;	Since Certificate of Deposit is a money market instrument which is already provided, the same may be omitted for brevity. Presently a bouquet of avenues has been provided to the FMEs for parking of capital pending deployment. There is, however, a heightened risk in such parking when	Clarification, Safeguard



#	Existing Regulation	Proposed Regulation (Underlined text indicates proposed insertion and struck-through text indicates proposed omission)	Brief Rationale (including data point, global benchmarks, where applicable)	Amendment Type
	(e) Securitised debt instruments, which are either asset-backed or mortgage-backed securities; (f) Units of other Venture Capital schemes subject to appropriate disclosure in the placement memorandum; (g) Units of retail schemes and restricted schemes or alternative investment funds subject to appropriate disclosure in the placement memorandum; (h) Limited liability partnerships; or (i) Such other securities or financial products/ assets or instruments as specified by the Authority: <i>Provided</i> that pending deployment of monies, FME may invest in certificates of deposit, units of investment schemes such as overnight, liquid or money market	(n) Securitised debt instruments, which are either asset-backed or mortgage-backed securities; (o) Units of other Venture Capital schemes subject to appropriate disclosure in the placement memorandum; (p) Units of retail schemes and restricted schemes or alternative investment funds subject to appropriate disclosure in the placement memorandum; (q) Limited liability partnerships; or (r) Such other securities or financial products/ assets or instruments as specified by the Authority: <i>Provided</i> that pending deployment of monies, FME may invest in certificates of	the FME has not achieved the minimum corpus. Any failure to achieve the minimum corpus within the validity or extended validity of placement memorandum will require the FME to wind up the scheme and return the capital (along with returns generated thereon) to the investors. Therefore, until the FME has achieved the minimum corpus, parking of funds needs to be in such instruments which do not involve risk of loss of capital while also offering liquidity. <u>Related Provisions</u> Similar amendments are also proposed for Restricted Schemes	



#	Existing Regulation	Proposed Regulation (Underlined text indicates proposed insertion and struck-through text indicates proposed omission)	Brief Rationale (including data point, global benchmarks, where applicable)	Amendment Type
	schemes, money market instruments, bank deposits or any other securities or financial assets or instruments as may be specified by the Authority.	deposit,—units of investment schemes such as overnight, liquid or money market schemes, money market instruments, bank deposits or any other securities or financial assets or instruments as may be specified by the Authority. <u>Provided further that any monies received from the contributors prior to the first close of the scheme shall be deployed only in bank deposits with option for premature withdrawal and such other securities or financial products/ assets or instruments as specified by the Authority.</u>	(Regulation 34 (1)), Retail Schemes (Regulation 46 (1)).	
	23(3) Venture Capital schemes shall invest at least 80 per cent. (80%) of the corpus in Investee Companies where not more than ten (10) years have elapsed since	23(3) Venture Capital schemes shall invest at least 80 per cent. (80%) of the corpus in Investee Companies where not more than ten (10) years have elapsed since incorporation of such companies, or	While VC Schemes are intended to invest primarily in such companies which are recently incorporated, which demonstrates their nature as start-ups, emerging or early-stage	EoDB, Safeguard



#	Existing Regulation	Proposed Regulation (Underlined text indicates proposed insertion and struck-through text indicates proposed omission)	Brief Rationale (including data point, global benchmarks, where applicable)	Amendment Type
	incorporation of such companies, or other schemes which meet such requirement.	other schemes which meet such requirement; <u>Provided that a Venture Capital scheme may invest during the subsequent round(s) of fund raising by such investee company even if 10 (ten) years have elapsed since the incorporation of such company, subject to the following conditions:</u> i. <u>The subsequent investment(s) in such investee company shall be in accordance with the investment objectives and investment strategy of the scheme, provisions of its placement memorandum and internal policies of the FME in this matter;</u>	venture capital undertakings, there is also a requirement for them to protect their stake in the investee companies as such companies raise more capital in subsequent rounds. The proposal is expected to allow the FMEs to protect the beneficial interest of the investors of the VC schemes from dilution and maintain the same as the investee companies achieve higher valuation. Notably, a similar provision has been provided by IFSCA to Angel Schemes under its Circular dated July 01, 2022.	



#	Existing Regulation	Proposed Regulation (Underlined text indicates proposed insertion and struck-through text indicates proposed omission)	Brief Rationale (including data point, global benchmarks, where applicable)	Amendment Type
		ii. <u>If, in accordance with the placement memorandum and contribution agreement, any investor has previously excused itself or the FME has excluded certain investors from investing in an investee company, such investor(s) will not be allowed to participate in the subsequent round(s) of investment in that company;</u> iii. <u>The contribution by the scheme in any subsequent round should be limited to the extent that the post-issue beneficial interest (on a fully diluted basis) of the scheme in that investee company remains the same as its pre-issue beneficial interest (on a fully diluted basis) therein.</u>		



#	Existing Regulation	Proposed Regulation (Underlined text indicates proposed insertion and struck-through text indicates proposed omission)	Brief Rationale (including data point, global benchmarks, where applicable)	Amendment Type
	Proposed insertion	<u>23 (5) FME shall ensure that all investors in a Venture Capital scheme are accorded same rights.</u> <u>Provided that FME may offer differential rights to select investors, if the same is in accordance with the disclosures in the placement memorandum and the rights of other investors are not affected.</u> <u>(6) The rights of the investors in the distributions from a Venture Capital scheme shall be pari-passu in all aspects and in the same proportion as the amounts invested by them, except in the cases of excuse and exclusion as per the placement memorandum, or in such cases and in such manner as may be specified by the Authority.</u>	The proposal is intended to clarify the regulatory expectation regarding the rights of the investors in a Venture Capital scheme. Further, this also provides for enablement of schemes with differential distribution, which will be detailed in a separate Consultation Paper to be issued by IFSCA. <u>Related Provisions</u> Similar amendments are also proposed for Restricted Schemes (insertion proposed at Regulation 35 (6) and 35(7))	Clarification, EoDB



#	Existing Regulation	Proposed Regulation (Underlined text indicates proposed insertion and struck-through text indicates proposed omission)	Brief Rationale (including data point, global benchmarks, where applicable)	Amendment Type
	24(2) The FME shall ensure that the Net Asset Value (NAV) is disclosed to the investors at least on a yearly basis within such time period as disclosed in the placement memorandum of the scheme. (3) The FME shall ensure that the portfolio under the scheme is disclosed to the investors at least on a yearly basis and not later than one (1) month of the end of each financial year.	24(2) The FME shall ensure that the Net Asset Value (NAV) is disclosed to the investors at least on a yearly basis, <u>starting from the financial year in which the first close is declared for the scheme,</u> and within such time period as disclosed in the placement memorandum of the scheme. (3) The FME shall ensure that the portfolio under the scheme is disclosed to the investors at least on a yearly basis, <u>starting from the financial year in which the first close is declared for the scheme,</u> and not later than one (1) month of the end of each financial year.	The proposed amendment provides clarification regarding the timeline for commencement of disclosures.	Clarification
	26(2) In line with the investment valuation norms, the assets of the scheme shall be valued by an independent service provider, such as a fund administrator, a custodian,	26(2) <u>For the purpose of computation and disclosure of NAV to the investors and in</u> line with the investment valuation norms, the assets of the scheme shall be valued	NAV computation is as such inherently linked to portfolio valuation. However, for abundant clarity, it is proposed to clarify the	Clarification



#	Existing Regulation	Proposed Regulation (Underlined text indicates proposed insertion and struck-through text indicates proposed omission)	Brief Rationale (including data point, global benchmarks, where applicable)	Amendment Type
	a credit rating agency registered with the Authority or a valuer registered with Insolvency and Bankruptcy Board of India or such other person as may be specified by the Authority: Provided that this requirement shall not apply in case of a fund of funds scheme that invests in scheme(s) regulated by a financial sector regulator, directly or through a manager, in IFSC, India or foreign jurisdiction(s), which are valued by any independent entity.	by an independent service provider, such as a fund administrator, a custodian, a credit rating agency registered with the Authority or a valuer registered with Insolvency and Bankruptcy Board of India or such other person as may be specified by the Authority: <i>Provided</i> that this requirement shall not apply in case of a fund of funds scheme that invests in scheme(s) regulated by a financial sector regulator, directly or through a manager, in IFSC, India or foreign jurisdiction(s), which are valued by any independent entity.	relation between the exercise of portfolio valuation and NAV computation. <u>Related Provisions</u> Similar amendments are also proposed for Restricted Schemes (Regulation 38(2)), Retail Schemes (Regulation 50(2)).	
	27(1) The FME shall compute the NAV of each Venture Capital scheme at least on an annual basis.	27(1) The FME shall compute the NAV of each Venture Capital scheme at least on an annual basis, <u>starting from the</u>	Proposal to clarify the timeline for commencement of disclosures.	Clarification



#	Existing Regulation	Proposed Regulation (Underlined text indicates proposed insertion and struck-through text indicates proposed omission)	Brief Rationale (including data point, global benchmarks, where applicable)	Amendment Type
		<u>financial year in which the first close is declared for the scheme.</u>		
	28(1) Under a Venture Capital scheme, the FME or its associate shall invest:- (a) at least 2.5% of the targeted corpus and not exceeding 10% of the targeted corpus in a scheme with targeted corpus up to USD 30 Million; (b) at least USD 750,000 and not exceeding 10% of the targeted corpus in a scheme with targeted corpus more than USD 30 Million: <i>Provided</i> that the contribution by the FME or its associate shall not be mandatory in case of relocated schemes established or incorporated or registered outside India to IFSC.	28(1) Under a Venture Capital scheme, the FME or its associate shall invest <u>an amount which shall be at least 2.5% of the corpus and not exceeding 10% of the corpus:-</u> (a) at least 2.5% of the targeted corpus and not exceeding 10% of the targeted corpus in a scheme with targeted corpus up to USD 30 Million; (b) at least USD 750,000 and not exceeding 10% of the targeted corpus in a scheme with targeted corpus more than USD 30 Million: <i>Provided</i> that the contribution by the FME or its associate shall not be mandatory in case of relocated schemes established or	Proposal is intended to simplify the language of the regulations for better readability and understanding. Further, this also aims to allow FME or its associates to invest a higher amount in the schemes which are not investing into India. The same is being done with the objective to allow the FMEs to develop track record of their performance and demonstrate a greater <i>skin-in-the-game</i> to the investors in such schemes. The contribution by the FME or its associates, if based in India, in any case, shall also be governed in terms	EoDB, Clarification



#	Existing Regulation	Proposed Regulation (Underlined text indicates proposed insertion and struck-through text indicates proposed omission)	Brief Rationale (including data point, global benchmarks, where applicable)	Amendment Type
	<i>Provided</i> further that the ceiling of 10% shall not apply for Venture Capital schemes if: (i) the FME and its associate investing in the scheme, are persons resident outside India and do not have any person resident in India as their ultimate beneficial owners; and (ii) not more than one-third of the corpus of the scheme is invested in an Investee Company and its associates. (2) The said contribution in proportion to investment by the investor(s) in the scheme shall be made by the FME or its associate within forty-five (45) days and be maintained on an ongoing basis:	incorporated or registered outside India to IFSC. <i>Provided</i> further that the ceiling of 10% shall not apply for Venture Capital schemes if: (i) the FME and its associate investing in the scheme, are persons resident outside India and do not have any person resident in India as their ultimate beneficial owners; and <u>not more than one-third of the corpus of the scheme is invested in an investee company and its associates, or</u> (ii) not more than one-third of the corpus of the scheme is invested in an Investee Company and its associates. <u>the investments under</u>	of the norms specified by the RBI in this regard.	



#	Existing Regulation	Proposed Regulation (Underlined text indicates proposed insertion and struck-through text indicates proposed omission)	Brief Rationale (including data point, global benchmarks, where applicable)	Amendment Type
	<i>Provided</i> that the period of forty-five (45) days may be extended, subject to the satisfaction of the Authority. (3) The contribution, if brought in by FME, may be taken into consideration for the purpose of net-worth requirements as detailed under the Chapter II.	<u>the scheme are made in IFSC or foreign jurisdictions and the said contribution does not exceed 25% of the corpus of the scheme.</u> (2) The said contribution in proportion to investment by the investor(s) in the scheme shall be made by the FME or its associate within forty-five (45) days and be maintained on an ongoing basis: <i>Provided</i> that the period of forty-five (45) days may be extended, subject to the satisfaction of the Authority. (3) The contribution, if brought in by FME, may be taken into consideration for the purpose of net-worth requirements as		



#	Existing Regulation	Proposed Regulation (Underlined text indicates proposed insertion and struck-through text indicates proposed omission)	Brief Rationale (including data point, global benchmarks, where applicable)	Amendment Type
		detailed under the Chapter II <u>specified under these regulations.</u>		
CHAPTER III SCHEMES FOR FUND MANAGEMENT PART B: RESTRICTED SCHEMES (NON-RETAIL SCHEMES)				
	35 (1) In case of an open-ended scheme, the maximum investment in unlisted securities should not exceed twenty-five per cent. (25%) of the corpus of the scheme: <i>Provided</i> that in case of an open-ended fund of funds scheme, this requirement shall not be applicable if such scheme is investing in other open-ended scheme(s) which shall not have investment in unlisted securities in excess of twenty-five per cent. (25%) of their corpus.	35 (1) In case of an open-ended scheme, the maximum investment in unlisted securities should not exceed twenty-five per cent. (25%) of the corpus of the scheme: <i>Provided</i> that in case of an open-ended fund of funds scheme, this requirement shall not be applicable if such scheme is investing in other open-ended scheme(s) which shall not have investment in unlisted securities in excess of twenty-five per cent. (25%) of their corpus.	Open-ended Restricted Schemes are permitted to invest a certain portion of their corpus in unlisted securities. However, if they fail to achieve the minimum corpus of USD 3 Million within the period of validity or extended validity of the PPM, the FME will be forced to wind up the scheme and return the capital (along with returns generated thereon) to the investors. In such situation, liquidating the investments in unlisted securities may pose a significant challenge to the FMEs and may also	EoDB, Safeguard



#	Existing Regulation	Proposed Regulation (Underlined text indicates proposed insertion and struck-through text indicates proposed omission)	Brief Rationale (including data point, global benchmarks, where applicable)	Amendment Type
	(2) The minimum size of corpus of the restricted schemes shall be USD 3 Million: <i>Provided</i> that an open-ended scheme may commence investment activities upon raising at least USD 1 Million in funds and shall achieve the minimum corpus of USD 3 Million within 12 months from the date of communication from the Authority that the placement memorandum of the scheme has been taken on record.	<u><i>Provided</i> further that the investments by an open-ended scheme in unlisted securities shall be undertaken only upon achieving the minimum corpus of USD 3 Million.</u> (2) The minimum size of corpus of the restricted schemes shall be USD 3 Million: <i>Provided</i> that an open-ended scheme may commence investment activities upon raising at least USD 1 Million in funds and shall achieve the minimum corpus of USD 3 Million within 12 months from the date of communication from the Authority that the placement memorandum of the scheme has been taken on record.	cause loss to the investors due to the forced distress-sale of such securities. Therefore, investment in unlisted securities is proposed to be undertaken only pursuant to achieving the minimum corpus. Further, while a one-time option is available to the FMEs to extend the validity of PPM, FMEs have expressed the need for greater flexibility in this regard to tackle the dynamic conditions for fund raising. Accordingly, an option to extend the validity of PPM without any restriction on number of occurrences is proposed.	



#	Existing Regulation	Proposed Regulation (Underlined text indicates proposed insertion and struck-through text indicates proposed omission)	Brief Rationale (including data point, global benchmarks, where applicable)	Amendment Type
		<u>Provided further that if a FME fails to achieve the corpus size of USD 3 Million within 12 months from the date of communication from the Authority that the placement memorandum of the scheme has been taken on record, it shall have the option to extend the validity of the placement memorandum for further period of 6 months, wherein each such extension shall be filed to the Authority at such time when the placement memorandum is still valid and accompanied with a fee which is equal to 50 per cent. (50%) of the fee as applicable for filing of a fresh scheme.</u>	Further, a provision of winding scheme in cases where minimum corpus is not being achieved and PPM is not extended is now proposed at Regulation 131.	
	36 (3) The FME shall ensure that the NAV is disclosed to the investors at least on a monthly basis in case of an open-ended	36 (3) The FME shall ensure that the NAV is disclosed to the investors at least on a monthly basis in case of an open-ended	The proposal is expected to reduce the operational cost of the FMEs and streamline their operations. Further,	EoDB, Clarification



#	Existing Regulation	Proposed Regulation (Underlined text indicates proposed insertion and struck-through text indicates proposed omission)	Brief Rationale (including data point, global benchmarks, where applicable)	Amendment Type
	scheme and half-yearly in case of a close ended scheme within such time period as disclosed in the placement memorandum. (4) The FME shall ensure that the portfolio under the scheme is disclosed to the investors at least on a quarterly basis within one month from the end of the quarter.	scheme, <u>starting from the month in which the first close is declared for the scheme,</u> and half-yearly in case of a close ended scheme, <u>starting from the half-year period in which the first close is declared for the scheme, and</u> within such time period as disclosed in the placement memorandum. <u>Provided that such period may be enhanced to one year in case of a Category I scheme or a Category II scheme on prior approval of at least seventy-five per cent. (75%) investors in the scheme by value of their investments.</u> (4) The FME shall ensure that the portfolio under the scheme is disclosed to the investors at least on a quarterly basis, <u>starting from the quarter in which the first</u>	the same is in line with the provisions for venture capital schemes in IFSC and the provisions specified by SEBI for Category I and II AIFs in India. The same shall be effective only after approval by investors. Further, the proposed amendment also provides clarification regarding the timeline for commencement of disclosures.	



#	Existing Regulation	Proposed Regulation (Underlined text indicates proposed insertion and struck-through text indicates proposed omission)	Brief Rationale (including data point, global benchmarks, where applicable)	Amendment Type
		<u>close is declared for the scheme,</u> within one month from the end of the quarter.		
	39 (1) FME shall compute the NAV of each restricted scheme at least on a monthly basis: <i>Provided</i> that in case of a close ended restricted scheme the computation of NAV shall take place at least half-yearly.	39 (1) FME shall compute the NAV of each restricted scheme at least on a monthly basis, <u>starting from the month in which the first close is declared for the scheme:</u> <i>Provided</i> that in case of a close ended restricted scheme the computation of NAV shall take place at least half-yearly, <u>starting from the half-year period in which the first close is declared for the scheme.</u> <u><i>Provided</i> further that for such Category I schemes or Category II schemes for which the FME has obtained prior approval from investors in terms of proviso to sub-regulation (3) of regulation</u>	Proposal to clarify the timeline for commencement of disclosures. Further, as a consequential change to the amendment proposed in Regulation 36(3) above, an amendment is proposed in regulation 39(1) as well.	EoDB



#	Existing Regulation	Proposed Regulation (Underlined text indicates proposed insertion and struck-through text indicates proposed omission)	Brief Rationale (including data point, global benchmarks, where applicable)	Amendment Type
		<u>36, the computation of NAV shall take place at least yearly, starting from the financial year in which the first close is declared for the scheme.</u>		
	40 (1) Under a restricted scheme, the FME or its associate shall invest :- (a) In case of a close ended scheme, (i) at least 2.5% of the targeted corpus and not exceeding 10% of the targeted corpus in a scheme with targeted corpus up to USD 30 Million; (ii) at least USD 750,000 and not exceeding 10% of the targeted corpus in a scheme with targeted corpus more than USD 30 Million: (b) In case of an open-ended scheme, (i) at least 5% of the targeted corpus and not exceeding 10% of the targeted corpus in a scheme with	40 (1) Under a restricted scheme, the FME or its associate shall invest:- (a) In case of a close ended scheme, (i) at least 2.5% of the targeted corpus and not exceeding 10% of the targeted corpus in a scheme with targeted corpus up to USD 30 Million; (ii) at least USD 750,000 and not exceeding 10% of the targeted corpus in a scheme with targeted corpus more than USD 30 Million: (b) In case of an open-ended scheme, (i) at least 5% of the targeted corpus and not exceeding 10% of the	Proposal is intended to enhance the scenarios in which an FME may obtain exemption from the requirement of <i>skin-in-the-game</i> contribution. By inclusion of such schemes in the exempted list where the FME does not exercise managerial discretion and, therefore, the necessity of <i>skin-in-the-game</i> contribution is diminished, the capital requirement for the fund management business in IFSC gets further reduced, making it more economically efficient for the FMEs.	EoDB, Clarification



#	Existing Regulation	Proposed Regulation (Underlined text indicates proposed insertion and struck-through text indicates proposed omission)	Brief Rationale (including data point, global benchmarks, where applicable)	Amendment Type
	targeted corpus less than USD 30 Million; (ii) at least USD 1,500,000 and not exceeding 10% of the targeted corpus in a scheme with targeted corpus more than USD 30 Million: <i>Provided</i> that the contribution by the FME or its associate shall not be mandatory in case of relocated funds /schemes established or incorporated or registered outside India to IFSC: <i>Provided</i> further that ceiling of 10% shall not apply for restricted schemes if: (i) the FME and its associate investing in the scheme, are persons resident outside India and do not have any	targeted corpus in a scheme with targeted corpus less than USD 30 Million; (ii) at least USD 1,500,000 and not exceeding 10% of the targeted corpus in a scheme with targeted corpus more than USD 30 Million: <i>Provided</i> that the contribution by the FME or its associate shall not be mandatory in case of relocated funds /schemes established or incorporated or registered outside India to IFSC: <i>Provided</i> further that ceiling of 10% shall not apply for restricted schemes if: (i) the FME and its associate investing in the scheme, are persons resident outside India	This also aims to simplify the language for better readability and understanding. Further, this also aims to allow FME or its associates to invest a higher amount in the schemes which are not investing into India. The same is being done with the objective to allow the FMEs to develop track record of their performance and demonstrate a greater <i>skin-in-the-game</i> to the investors in such schemes. The contribution by the FME or its associates, if based in India, shall be, in any case, governed in terms of the norms specified by the RBI in this regard.	



#	Existing Regulation	Proposed Regulation (Underlined text indicates proposed insertion and struck-through text indicates proposed omission)	Brief Rationale (including data point, global benchmarks, where applicable)	Amendment Type
	person resident in India as their ultimate beneficial owners; and (ii) not more than one-third of the corpus of the scheme is invested in an Investee Company and its associates. (2) The said contribution in proportion to investor's investment in the scheme shall be made by the FME or its associate within forty-five (45) days and maintained on ongoing basis: <i>Provided</i> that the period of forty-five (45) days may be extended subject to the satisfaction of the Authority. (3) The said contribution, if brought in by FME, may be taken into consideration for	and do not have any person resident in India as their ultimate beneficial owners; and <u>not more than one-third of the corpus of the scheme is invested in an Investee Company and its associates, or</u> (ii) not more than one-third of the corpus of the scheme is invested in an Investee Company and its associates. <u>the investments under the scheme are made only in IFSC or foreign jurisdictions and the said contribution does not exceed 25% of the corpus of the scheme.</u> (2) The said contribution in proportion to investor's investment in the scheme shall be made by the FME or its associate		



#	Existing Regulation	Proposed Regulation (Underlined text indicates proposed insertion and struck-through text indicates proposed omission)	Brief Rationale (including data point, global benchmarks, where applicable)	Amendment Type
	the purpose of net-worth requirements as detailed under the Chapter II. (4) The said contribution shall be exempted if :- (a) at least two-thirds (2/3rd) of the investors in the scheme by value permits waiver of such contribution; (b) at least two-thirds (2/3rd) of the investors in the scheme are accredited investors; or (c) The scheme is a fund of funds scheme investing in scheme(s) with similar requirements.	within forty-five (45) days and maintained on ongoing basis: <i>Provided</i> that the period of forty-five (45) days may be extended subject to the satisfaction of the Authority. (3) The said contribution, if brought in by FME, may be taken into consideration for the purpose of net-worth requirements as detailed under the Chapter II <u>specified under these regulations</u>. (4) The said contribution shall be exempted if:- (a) at least two-thirds (2/3rd) of the investors in the scheme by value permits waiver of such contribution;		



#	Existing Regulation	Proposed Regulation (Underlined text indicates proposed insertion and struck-through text indicates proposed omission)	Brief Rationale (including data point, global benchmarks, where applicable)	Amendment Type
		(b) at least two-thirds (2/3rd) of the investors in the scheme are accredited investors; or (c) The scheme is a fund of funds scheme investing in scheme(s) with similar requirements. <u>Provided that for such scheme in IFSC there is no active management undertaken by the FME and the details of inter-se allocation of the underlying schemes are disclosed in the placement memorandum of the scheme;</u> (d) <u>The scheme is an index scheme; or</u> (e) <u>The scheme is a fund of funds scheme investing in index schemes or</u>		



#	Existing Regulation	Proposed Regulation (Underlined text indicates proposed insertion and struck-through text indicates proposed omission)	Brief Rationale (including data point, global benchmarks, where applicable)	Amendment Type
		<u>passive ETFs, and the details of inter-se allocation of such index schemes and ETFs are disclosed in the placement memorandum of the scheme.</u>		
CHAPTER III SCHEMES FOR FUND MANAGEMENT PART C: RETAIL SCHEMES				
	47 (4) Retail schemes shall not invest more than twenty-five per cent. (25%) of its AUM in a single sector: <i>Provided</i> that in case of financial services sector, the amount shall not exceed fifty per cent. (50%) of the AUM of the scheme: <i>Provided</i> further that the limit on sectoral caps shall not apply in case of a sectoral or thematic or an Index Scheme:	47 (4) Retail schemes shall not invest more than twenty-five per cent. (25%) of its AUM in a single sector: <i>Provided</i> that in case of financial services sector, the amount shall not exceed fifty per cent. (50%) of the AUM of the scheme:	The extant provision may hinder creation of such fund of funds schemes in IFSC wherein the underlying schemes do not have such sectoral limits, although it is regulated by a financial sector regulator and permitted for distribution to the retail investors in the home jurisdiction. For example, for SEBI registered Mutual Funds in India, sectoral caps are not	EoDB



#	Existing Regulation	Proposed Regulation (Underlined text indicates proposed insertion and struck-through text indicates proposed omission)	Brief Rationale (including data point, global benchmarks, where applicable)	Amendment Type
	<i>Provided</i> also that in case of a fund of funds scheme, the limit on sectoral cap shall not be applicable if such scheme is investing in other scheme(s) which does not have investment in a single sector in excess of 25% of their AUM, or 50% of their AUM in case of financial services sector or when such scheme(s) are sectoral or thematic or index scheme(s).	<i>Provided</i> further that the limit on sectoral caps shall not apply in case of a sectoral or thematic or an Index Scheme: <i>Provided</i> also that in case of a fund of funds scheme, the limit on sectoral cap shall not be applicable if such scheme is investing in other scheme(s) which does not have investment in a single sector in excess of 25% of their AUM, or 50% of their AUM in case of financial services sector or when such scheme(s) are sectoral or thematic or index scheme(s) <u>are regulated by the concerned regulatory authority in its home jurisdiction, and are permitted for offering to retail investors in their home jurisdiction.</u>	applicable if the scheme is categorised as an equity scheme. Therefore, amendment is proposed to enable FoF Retail schemes in IFSC to invest in any regulated schemes permitted for offering to retail investors.	
	48 (2) The disclosures in the offer document shall <i>inter-alia</i> include	48 (2) The disclosures in the offer document shall <i>inter-alia</i> include	The proposal is aimed at inclusion of such other matters in the indicative	Safeguard



#	Existing Regulation	Proposed Regulation (Underlined text indicates proposed insertion and struck-through text indicates proposed omission)	Brief Rationale (including data point, global benchmarks, where applicable)	Amendment Type
	disclosures regarding the investment objective, the targeted investors, proposed size, investment style or strategy, investment methodology, proposed tenure of the scheme fees and expenses, risk management practices, KMPs of the FME and other relevant details of the FME and the scheme.	disclosures regarding the investment objective, the targeted investors, proposed size, investment style or strategy, investment methodology, proposed tenure of the scheme, <u>methodology of computation and disclosure of NAV</u> , fees and expenses, <u>conflicts of interest</u> , risk management practices, KMPs of the FME and other relevant details of the FME and the scheme.	list of contents of offer document which are deemed to be material in nature.	
	52 (1) Under a retail scheme, the FME or its associate shall invest at least one per cent. (1%) of the AUM of the retail scheme or USD 200,000, whichever is lower: <i>Provided</i> that the contribution by the FME or its associate shall not be mandatory in case of relocated funds /schemes	52 (1) Under a retail scheme, the FME or its associate shall invest at least one per cent. (1%) of the AUM of the retail scheme or USD 200,000, whichever is lower: <i>Provided</i> that the contribution by the FME or its associate shall not be mandatory in case of relocated funds /schemes	Proposal is intended to enhance the scenarios in which an FME may obtain exemption from the requirement of <i>skin-in-the-game</i> contribution. By inclusion of such schemes in the exempted list where the FME does not exercise managerial discretion and, therefore,	EoDB



#	Existing Regulation	Proposed Regulation (Underlined text indicates proposed insertion and struck-through text indicates proposed omission)	Brief Rationale (including data point, global benchmarks, where applicable)	Amendment Type
	established or incorporated or registered outside India to IFSC. <i>Provided</i> further that the contribution by the FME or its associate shall not be mandatory in case of a fund of funds scheme investing in scheme(s) which has similar requirements.	established or incorporated or registered outside India to IFSC. <i>Provided</i> further that the contribution by the FME or its associate shall not be mandatory in case of a fund of funds scheme investing in scheme(s) which has similar requirements, <u>wherein the scheme in IFSC does not involve active management by the FME and the details of inter-se allocation of the underlying schemes are disclosed in the placement memorandum of the scheme;</u> <u>Provided also that the contribution by the FME or its associate shall not be mandatory in case of an index scheme or a fund of funds scheme investing only in index schemes or passive ETFs, and the</u>	the necessity of <i>skin-in-the-game</i> contribution is diminished, the capital requirement for the fund management business in IFSC gets further reduced, making it more economically efficient for the FMEs.	



#	Existing Regulation	Proposed Regulation (Underlined text indicates proposed insertion and struck-through text indicates proposed omission)	Brief Rationale (including data point, global benchmarks, where applicable)	Amendment Type
		<u>details of inter-se allocation of such index schemes and ETFs are disclosed in the offer document of the scheme.</u>		
CHAPTER V ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)				
	72 (1) A FME managing AUM above USD 3 billion as at the close of a financial year or any other threshold of AUM as may be specified by the Authority, shall: (a) establish policy on governance around material sustainability-related risks and opportunities; (b) disclose in its annual report how the FME identifies, assesses and manages material sustainability-related risks; (c) establish and disclose in its annual report the process of factoring sustainability related risks and	72 (1) A FME managing AUM above USD 3 billion, <u>excluding the AUM of fund of funds schemes</u>, as at the close of a financial year or any other threshold of AUM as may be specified by the Authority, shall: (a) establish policy on governance around material sustainability-related risks and opportunities; (b) disclose in its annual report how the FME identifies, assesses and manages material sustainability-related risks;	FM Regulations require the FMEs of significant size to become more transparent in their sustainability-related posture. Accordingly, the threshold of AUM of USD 3 Billion has been laid down for the additional disclosures. It is observed that several FMEs, as part of their internal initiatives or contractual arrangement with their investors, are mindful of their sustainability impact and have internal frameworks in this regard.	EoDB



#	Existing Regulation	Proposed Regulation (Underlined text indicates proposed insertion and struck-through text indicates proposed omission)	Brief Rationale (including data point, global benchmarks, where applicable)	Amendment Type
	opportunities into fund manager's investment strategies and processes, including, where relevant, data and methodologies used; and (d) comply with any other sustainability related requirements as may be specified by the Authority.	(c) establish and disclose in its annual report the process of factoring sustainability related risks and opportunities into fund manager's investment strategies and processes, including, where relevant, data and methodologies used; and (d) comply with any other sustainability related requirements as may be specified by the Authority.	However, for such FMEs which are largely engaged in managing of FoFs, having such additional frameworks and disclosures could be considered to be burdensome and inefficient, and they may have limited control over the underlying investments.	
CHAPTER VI OTHER FUND MANAGEMENT ACTIVITIES PART C: FAMILY INVESTMENT FUND				
	104 (5) A Family Investment Fund may set up additional investment vehicles after filing documents for such vehicles with the	104 (5) A Family Investment Fund may set up additional investment vehicles after filing documents for such vehicles with	The proposal is aimed to clarify the procedure to be followed by the Authority in taking a FIF or investment vehicle on record. This is	Clarification, EoDB



#	Existing Regulation	Proposed Regulation (Underlined text indicates proposed insertion and struck-through text indicates proposed omission)	Brief Rationale (including data point, global benchmarks, where applicable)	Amendment Type
	Authority and payment of applicable fee as specified by the Authority. <i>Explanation I.-</i> Such additional investment vehicles in the form of companies, limited liability partnerships, trusts or any other form as may be specified by the Authority, shall be considered in conjunction for the purpose of meeting the condition specified under sub-regulation (3). <i>Explanation II. -</i> The Family Investment Fund or the investment vehicle may be construed as Category I Alternative Investment Fund, Category II Alternative Investment Fund or Category III Alternative Investment Fund depending on the investment strategy adopted in accordance with regulation 30.	the Authority and payment of applicable fee as specified by the Authority. <i>Explanation I.-</i> Such additional investment vehicles in the form of companies, limited liability partnerships, trusts or any other form as may be specified by the Authority, shall be considered in conjunction for the purpose of meeting the condition specified under sub-regulation (3). <i>Explanation II. -</i> The Family Investment Fund or the investment vehicle may be construed as Category I Alternative Investment Fund, Category II Alternative Investment Fund or Category III Alternative Investment Fund depending on the investment strategy adopted in	expected to provide greater certainty to industry participants and FIF applicants in determining the regulatory and taxation treatment of FIFs and investment vehicles.	



#	Existing Regulation	Proposed Regulation (Underlined text indicates proposed insertion and struck-through text indicates proposed omission)	Brief Rationale (including data point, global benchmarks, where applicable)	Amendment Type
		accordance with regulation 30, <u>and shall accordingly be taken on record by the Authority.</u>		
CHAPTER VIII GENERAL OBLIGATIONS AND RESPONSIBILITIES				
	119 (2) Every FME shall maintain and preserve at least the following books of accounts, records and documents, in electronic retrieval form for a minimum of eight years, namely: (a) a copy of the balance sheet at the end of each accounting period; (b) a copy of profit and loss account for each accounting period; (c) a copy of the auditor's report on the accounts for each accounting period; (d) a statement of net worth for each quarter;	119 (2) Every FME shall maintain and preserve at least the following books of accounts, records and documents, in electronic retrieval form for a minimum of eight years, namely: (a) a copy of the balance sheet at the end of each accounting period; (b) a copy of profit and loss account for each accounting period; (c) a copy of the auditor's report on the accounts for each accounting period;	The proposal is aimed to clarify the requirement of maintaining the records pertaining to internal policies, frameworks, plans or standard operating procedures prepared by the FME in compliance with these regulations. As such records are considered to be of supervisory relevance, their maintenance and preservation is deemed essential.	Clarification, Safeguard



#	Existing Regulation	Proposed Regulation (Underlined text indicates proposed insertion and struck-through text indicates proposed omission)	Brief Rationale (including data point, global benchmarks, where applicable)	Amendment Type
	(e) documents relating to compliance with AML and CFT guidelines; (f) documents relating to account opening of each client and any power of attorney or signature authority forms of the clients; (g) relevant records and documents relating to its activities under these regulations; and (h) such other books of accounts, records and documents as may be specified by the Authority from time to time.	(d) a statement of net worth for each quarter; (e) documents relating to compliance with AML and CFT guidelines; (f) documents relating to account opening of each client and any power of attorney or signature authority forms of the clients; <u>(fa) records pertaining to internal policies, frameworks, plans or standard operating procedures prepared by the FME in compliance with these regulations;</u> (g) relevant records and documents relating to its activities under these regulations; and		



#	Existing Regulation	Proposed Regulation (Underlined text indicates proposed insertion and struck-through text indicates proposed omission)	Brief Rationale (including data point, global benchmarks, where applicable)	Amendment Type
		(h) such other books of accounts, records and documents as may be specified by the Authority from time to time.		
	131 (1) A scheme of the FME may be wound up:- (a) When the tenure of the scheme, as mentioned in the placement memorandum / offer document, is over; (b) If seventy-five per cent. (75%) of the investors, by value of their investment in the scheme, pass a resolution at a meeting of investors that the scheme be wound up.	131 (1) A scheme of the FME may be wound up:- (a) When the tenure of the scheme, as mentioned in the placement memorandum / offer document, is over; (b) If seventy-five per cent. (75%) of the investors, by value of their investment in the scheme, pass a resolution at a meeting of investors that the scheme be wound up; <u>(c) If the scheme fails to achieve the minimum corpus during the validity of the placement memorandum or offer document, as applicable, and the FME</u>	Considering the nature of investments of open-ended schemes, FM Regulations allow them to commence investment activities at a lower threshold of USD 1 Mn and achieve the minimum corpus of USD 3 Mn within a period of 12 months or 18 months, if one-time extension has been opted by the FME. However, to address such situations where the validity has expired and the FME does not intend to extend it further, a clear direction for winding	Clarification, Safeguard



#	Existing Regulation	Proposed Regulation (Underlined text indicates proposed insertion and struck-through text indicates proposed omission)	Brief Rationale (including data point, global benchmarks, where applicable)	Amendment Type
		<u>has not filed for extension of the validity with the Authority.</u>	up of such scheme is proposed to be inserted.	
	Appointment of Custodian 132. The FME shall appoint an independent custodian to provide the custodial services for the following schemes:- (a) Retail schemes; (b) Open ended restricted schemes; and (c) All other schemes managing AUM above USD 70 Million. <i>Provided</i> that the requirement of appointment of custodian shall not be mandatory for fund of funds schemes where the underlying scheme(s) have appointed independent custodian(s).	Appointment of Custodian 132. The FME shall appoint an independent custodian to provide the custodial services for the following schemes:- (d) Retail schemes; (e) Open ended restricted schemes; and (f) All other schemes managing AUM above USD 70 Million. <i>Provided</i> that the requirement of appointment of custodian shall not be mandatory for fund of funds schemes where the underlying scheme(s) have appointed independent custodian(s).	The appointment of an IFSC-based custodian is considered to be of importance to the Authority as this aids the Authority in its regulatory supervision and also brings in substance to the FMEs' operations in IFSC. However, industry participants have represented that they are facing challenges in appointing an IFSC-based custodian due to the lack of their capability in serving different jurisdictions where the FMEs intend to invest as well as the cost of such services, which have been told to be disproportionately higher than that	EoDB



#	Existing Regulation	Proposed Regulation (Underlined text indicates proposed insertion and struck-through text indicates proposed omission)	Brief Rationale (including data point, global benchmarks, where applicable)	Amendment Type
	<i>Explanation I.</i> – The Custodian appointed under this regulation shall be based in IFSC, unless the local laws of the jurisdiction where the securities have been issued mandate appointment of a custodian in that jurisdiction, in which case, the FME may appoint a custodian based in that jurisdiction regulated by the financial sector regulator in that jurisdiction for such securities and make necessary arrangement to provide such information to Authority whenever directed to do so. <i>Explanation II.</i> - In case of schemes which are required to appoint custodian in IFSC in terms of the abovementioned provision, if any agreement has been entered into with a custodian which is not based in IFSC as on the date of notification of these	<i>Explanation I.</i> – The Custodian appointed under this regulation shall be based in IFSC, unless the local laws of the jurisdiction where the securities have been issued mandate appointment of a custodian in that jurisdiction, in which case, the FME may appoint a custodian based in that jurisdiction regulated by the financial sector regulator in that jurisdiction for such securities and make necessary arrangement to provide such information to Authority whenever directed to do so. <i>Explanation II.</i> - In case of schemes which are required to appoint custodian in IFSC in terms of the abovementioned provision, if any agreement has been entered into with a custodian which is not based in	charged for similar services in foreign jurisdictions. Due to these constraints observed in the local ecosystem, it is proposed that FMEs may be permitted to appoint regulated custodians in other jurisdictions with suitable arrangement for providing information to the Authority for a further period of 2 years. It is expected that the in the interim the IFSC based custodians shall be able to develop competencies and efficiency to offer competitive facilities within IFSC.	



#	Existing Regulation	Proposed Regulation (Underlined text indicates proposed insertion and struck-through text indicates proposed omission)	Brief Rationale (including data point, global benchmarks, where applicable)	Amendment Type
	regulations, such schemes shall be required to appoint custodian in IFSC within twelve (12) months from the date of notification of these regulations.	IFSC as on the date of notification of these regulations, such schemes shall be required to appoint custodian in IFSC within twelve (12) months from the date of notification of these regulations. <u>In case of schemes which are required to appoint custodian in IFSC in terms of the abovementioned provision, such appointment may be made within twenty-four (24) months from the date of notification of the amended regulations, during which period the FMEs may appoint an independent custodian in India or any foreign jurisdiction which is regulated by the financial sector regulator in that jurisdiction and make necessary arrangement to provide such information to Authority whenever directed to do so.</u>		



#	Existing Regulation	Proposed Regulation (Underlined text indicates proposed insertion and struck-through text indicates proposed omission)	Brief Rationale (including data point, global benchmarks, where applicable)	Amendment Type
	Scheme Annual Report 134. (1) FME shall prepare an annual report of accounts of the schemes and abridged summary thereof, in respect of each financial year and shall submit the same to the Authority not later than four months from the end of financial year. (2) The annual report and abridged summary shall contain details that are necessary for the purpose of providing a true and fair view of the operations of the scheme. (3) An abridged summary of the annual report of the scheme shall be shared with the investors within four months from the end of the financial year: <i>Provided</i> that if an investor seeks the full annual report, the FME shall provide the	Scheme Annual Report 134. (1) FME shall prepare an annual report of accounts of the schemes and abridged summary thereof, in respect of each financial year and shall submit the same to the Authority not later than four <u>six</u> months from the end of financial year. (2) The annual report and abridged summary shall contain details that are necessary for the purpose of providing a true and fair view of the operations of the scheme. (3) An abridged summary of the annual report of the scheme shall be shared with the investors within four <u>six</u> months from the end of the financial year: <i>Provided</i> that if an investor seeks the full annual report, the FME shall provide the	Industry participants have expressed challenge in meeting the present timeline of 4 months as in many cases the underlying fund has a longer time period available to complete such audit. This may also be seen in light of the Companies Act 2013 which provides a time window of 6 months to companies in India to complete their audited financial statements. Therefore, the proposal is aimed to extend such timeline to align the same with similar requirements under other laws.	EoDB



#	Existing Regulation	Proposed Regulation (Underlined text indicates proposed insertion and struck-through text indicates proposed omission)	Brief Rationale (including data point, global benchmarks, where applicable)	Amendment Type
	same within fifteen (15) days from the date of the receipt of such request.	same within fifteen (15) days from the date of the receipt of such request.		
	135. (1) Every scheme launched by FME shall have the annual statement of accounts audited by an auditor who is not in any way associated with the FME.	135. (1) Every scheme launched by FME shall have the annual statement of accounts audited by an auditor who is not in any way associated with the FME. <u>Provided that such requirement shall not be applicable for the FMEs which are set up by Government and Government related investors such as central banks, sovereign wealth funds, international or multilateral organizations or agencies including entities controlled or at least seventy-five per cent. (75%) directly or indirectly owned by such Government and Government related investor wherein such investors are the sole contributors,</u>	The regulatory intent behind the separation of auditors is to mitigate the conflicts as the beneficiaries of the scheme and that of the FME are different sets of persons. However, in case of sovereign-related investors, since the beneficiary of the FME and the scheme is the same entity, such conflicts are not expected to arise. Therefore, the requirement of separation of auditors may be exempted in case of such FMEs.	EoDB



#	Existing Regulation	Proposed Regulation (Underlined text indicates proposed insertion and struck-through text indicates proposed omission)	Brief Rationale (including data point, global benchmarks, where applicable)	Amendment Type
		<u>directly or indirectly, of the schemes launched by such FMEs.</u>		
THIRD SCHEDULE CODE OF CONDUCT AND OBLIGATIONS PART A: CODE OF CONDUCT AND OBLIGATIONS OF THE FUND MANAGEMENT ENTITY				
	Insertion of provision	<u>(o) For all the policies, frameworks, plans, by whatever name called, that the FME prepares in compliance with these regulations, approval from the board of directors or designated partners or trustees, as may be the case, of the FME shall be obtained prior to their implementation or amendment.</u>	FM Regulations have placed the requirement for institution of internal policies in areas which are considered to be of significant importance in the operations of the FME. It is, however, noted in several cases where onsite supervision has been undertaken that the FME has either failed to establish the policy, created a policy which is vague and lacks specific actionable / outcomes, or there are lapses in the implementation of the policy.	Safeguard



#	Existing Regulation	Proposed Regulation (Underlined text indicates proposed insertion and struck-through text indicates proposed omission)	Brief Rationale (including data point, global benchmarks, where applicable)	Amendment Type
			It is, therefore, proposed that all such policies are approved by the governing body of the FME. This is expected to bring the matter to the attention of the senior management and ensure proper implementation of such policies.	
THIRD SCHEDULE CODE OF CONDUCT AND OBLIGATIONS PART B: CODE OF CONDUCT AND OBLIGATIONS OF FIDUCIARIES				
	(a) Based on the legal structure of the fund/scheme, the Board of Directors in case of Company, Designated Partners in case of LLP and Trustees (including the Board in case of a Trustee company) in case of a Trust, shall:	(a) Based on the legal structure of the fund/scheme, the Board of Directors in case of Company, Designated Partners in case of LLP and Trustees (including the Board in case of a Trustee company) in case of a Trust, shall:	The proposal is aimed to allow the appointment of certain service providers at a later stage as their role typically becomes relevant only after the schemes commence their investment activities. The proposed additional time window for appointment of certain service providers is also expected to reduce	EoDB, Clarification



#	Existing Regulation	Proposed Regulation (Underlined text indicates proposed insertion and struck-through text indicates proposed omission)	Brief Rationale (including data point, global benchmarks, where applicable)	Amendment Type
	(ix) ensure before the launch of any scheme that it has,— (a) systems in place for its back office, dealing room and accounting; (b) appointed all key personnel; (c) appointed auditors to audit its accounts; (d) designated a compliance officer who shall be responsible for monitoring the compliance of the Act, rules and regulations, notifications, guidelines, instructions, etc., issued by the Authority or the Central Government and for redressal of investors grievances; (e) appointed fund administrators registered with the Authority or	(ix) ensure before the launch of any scheme that it has,— (a) systems in place for its back office, dealing room and accounting; (b) appointed all key personnel; (c) appointed auditors to audit its accounts; (d) designated a compliance officer who shall be responsible for monitoring the compliance of the Act, rules and regulations, notifications, guidelines, instructions, etc., issued by the Authority or the Central Government and for redressal of investors grievances; (e) appointed fund administrators registered with the Authority or	the fund operations cost without compromising the investors' interests. Further, the responsibility of the fiduciaries is proposed to be further clarified by including other service providers which are critical for fund activities and mandated under the FM Regulations. Also, some provisions of the FM Regulations mandate the FME to obtain prior approval from investors with respect to certain actions. For example, under regulation 23(2) and 35(3), for investments in associate by a Venture Capital scheme and Restricted scheme, respectively,	



#	Existing Regulation	Proposed Regulation (Underlined text indicates proposed insertion and struck-through text indicates proposed omission)	Brief Rationale (including data point, global benchmarks, where applicable)	Amendment Type
	capabilities to undertake such activities in-house by the FME (f) obtained, wherever required under these regulations, prior in principle approval from the recognised stock exchange(s) where units are proposed to be listed.	capabilities to undertake such activities in-house by the FME (f) obtained, wherever required under these regulations, prior in principle approval from the recognised stock exchange(s) where units are proposed to be listed. <u>(ix) ensure before the first close of any scheme that it has, -</u> (a) <u>appointed auditors to audit its accounts;</u> (b) <u>appointed fund administrators registered with the Authority or obtained demonstration from the that it has the capabilities to undertake such activities in-house;</u>	Additionally, in terms of existing regulations 23(2), 23(4), 35(3) and 35(4), and proposed regulation 36(3), the FME is required to obtain approval from investors when dealing with associates. If, instead of obtaining approval from investors through a separate voting exercise, FME intends to obtain approval by way of disclosures, the fiduciary is expected to ensure that such disclosures in placement memorandum are adequate and prominent. Further, in such matters, fiduciary is expected to ensure that specific confirmation from investors by way of contribution agreement is also obtained.	



#	Existing Regulation	Proposed Regulation (Underlined text indicates proposed insertion and struck-through text indicates proposed omission)	Brief Rationale (including data point, global benchmarks, where applicable)	Amendment Type
		(c) <u>appointed independent valuer for valuation of the portfolio of scheme;</u> (d) <u>appointed the custodian for the scheme, if applicable in terms of regulation 132.</u> <u>(xiv) shall ensure that, when required in terms of regulations 23(2), 23(4), 35(3), 35(4) and 36(3), the FME either obtains the approval of the investors or make adequate and prominent disclosures in the placement memorandum and also include in the investor agreement.</u>		

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