

CIRCULAR

SEBI/HO/AFD/PoD-1/P/CIR/2025/17

February 14, 2025

To,

**All Alternative Investment Funds
All Depositories
All Custodians**

Dear Sir/Madam,

Subject: Relaxation in timelines for holding AIFs' investments in dematerialised form

1. SEBI (Alternative Investment Funds) Regulations, 2012 ("AIF Regulations") have been amended and notified on January 05, 2024, with respect to AIFs holding their investments in dematerialised form.
2. Subsequently, SEBI Circular dated January 12, 2024 [subsumed subsequently in Chapter 21 of Master Circular for AIFs dated May 07, 2024 ("Master Circular")] prescribed timelines for AIFs with respect to holding their investments in dematerialised form.
3. In this regard, it has been decided to relax the aforesaid timelines, and accordingly relevant provisions of Para 21 of the Master Circular stand modified as under:

21.1. Any investment made by an AIF on or after July 01, 2025 shall be held in dematerialised form only, irrespective of whether the investment is made directly in the investee company or is acquired from another entity.

21.2. The investments made by an AIF prior to July 01, 2025 are exempted from the requirement of being held in dematerialised form, except in the following cases:

21.2.1. Investee company of the AIF has been mandated under applicable law to facilitate dematerialisation of its securities;

21.2.2. The AIF, on its own, or along with other SEBI registered intermediaries/entities which are mandated to hold their investments in dematerialised form, exercises control over the investee company.

For the purpose of the aforesaid clause, the definition of 'control' shall be construed with reference to Regulation 2(1)(f) of AIF Regulations.

21.3. The investments made by an AIF prior to July 01, 2025 which are covered under conditions as specified in Para 21.2.1 and Para 21.2.2 above, shall be held in dematerialised form by the AIF on or before October 31, 2025.

21.4. The aforesaid requirement of holding investments in dematerialised form shall not be applicable to:

21.4.1. Scheme of an AIF whose tenure (not including permissible extension of tenure) ends on or before October 31, 2025;

21.4.2. Scheme of an AIF which is in extended tenure as on February 14, 2025.

4. The trustee/sponsor of AIF, as the case may be, shall ensure that the 'Compliance Test Report' prepared by the manager in terms of Chapter 15 of the master circular for AIFs, includes compliance with the provisions of this circular.
5. The provisions of this circular shall come into force with immediate effect.
6. This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 read with Regulation 15(1)(i) and Regulation 36 of AIF Regulations, 2012 to protect the interests of investors in securities and to promote the development of, and to regulate the securities markets.
7. The circular is available on SEBI website at www.sebi.gov.in under the categories "Legal framework -Circulars" and "Info for - Alternative Investment Funds".

Yours faithfully,

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