

Sebi proposes tighter disclosure, performance reporting norms for AIFs

Jash Kriplani | Mumbai Last Updated at December 6, 2019 03:14 IST

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After suggesting wide-ranging changes for portfolio management services (PMS), the Securities and Exchange Board of India (Sebi) on Thursday proposed a set of new norms to in a bid to firm up disclosure and performance reporting standards for alternative investment funds (AIFs).

In its consultation paper, the market watchdog proposed setting up of a benchmarking agency to show comparable returns of various AIFs and standardising private placement memorandum (or offering document), which informs investors about various aspects of an AIF, such as fees, conditions or limits on redemption, investment strategy, conflict of interest, and manner of winding up the AIF.

To facilitate the benchmarking process, AIFs registered with Sebi for at least three years would have to report their audited scheme-wise performance data to single or multiple benchmarking agencies.

The benchmarking report would have to be provided along wherever the performance of the AIF is disclosed. Also, the report would be shared with all investors.

Sebi scans matrimonial website to nail fraudster in front-running case

Even at the time of seeking Sebi registration, both domestic and foreign AIFs would be required to provide data on their investments in Indian companies to the benchmarking agencies.

Further, the consultation paper lays down 12 points that entail data points AIFs need to provide to the benchmarking agency and how the latter needs to process and present these data points.

To ensure that an AIF doesn't divert from the terms of the offering document, Sebi has proposed annual audit in this connection.

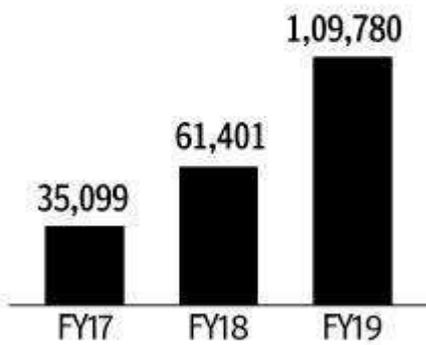
In case of adverse findings, corrective steps would be submitted.

Larger-sized AIFs can also propose one or more benchmarking agencies.

GAINING GROUND

Total investments made by AIFs have grown significantly

■ AIF investments (₹ crore)



Source: Sebi

“Any association of Sebi-registered AIFs, which in terms of membership represent at least 50 per cent of registered AIFs, may propose one or more benchmarking agencies, which shall enter into an agreement with AIFs for carrying out benchmarking process,” the consultation paper said.

The regulator has sought public comments on these proposals by December 25 and a final regulation will be put in place after taking into account suggestions of all the stakeholders. In August, the regulator put out a consultation paper for the PMS industry, proposing minimum disclosure and performance reporting standards.