



**CIRCULAR**

SEBI/HO/IMD-I/DF6/P/CIR/2022/009

January 27, 2022

To,

**All Alternative Investment Funds (AIFs)**

Sir/Madam,

**Sub: Introduction of Special Situation Funds as a sub-category under Category I AIFs**

1. SEBI (Alternative Investment Funds) Regulations, 2012 (“AIF Regulations”), have been amended and notified on January 24, 2022, to introduce Special Situation Funds (SSF), a sub-category under Category I AIF, which shall invest in ‘special situation assets’. Copy of the notification is available at [link](#).
2. In this context, the following is specified:
  - (a) Each scheme of SSF shall have a corpus of at least one hundred crore rupees.
  - (b) SSF shall accept an investment of value not less than ten crore rupees from an investor. In case of an accredited investor, the SSF shall accept an investment of value not less than five crore rupees. Further, in case of investors who are employees or directors of the SSF or employees or directors of the manager of the SSF, the minimum value of investment shall be twenty-five lakh rupees.
  - (c) SSF intending to act as a resolution applicant under the Insolvency and Bankruptcy Code, 2016 shall ensure compliance with the eligibility requirement provided thereunder.
3. Further, in respect of SSF acquiring stressed loan in terms of Clause 58 of the Master Direction – Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021 (‘RBI Master Direction’), the following is specified:
  - (a) SSF may acquire stressed loan in terms of clause 58 of RBI Master Direction upon inclusion of SSF in the respective Annex of the RBI Master Direction.
  - (b) Stressed loan acquired by SSF in terms of clause 58 of the RBI Master Direction shall be subject to a minimum lock-in period of six months. The lock in period shall not be applicable in case of recovery of the stressed loan from the borrower.
  - (c) SSF acquiring stressed loans in terms of the RBI Master Direction shall comply with the same initial and continuous due diligence requirements for its investors, as those mandated by Reserve Bank of India for investors in Asset Reconstruction Companies.



**भारतीय प्रतिभूति और विनिमय बोर्ड**  
**Securities and Exchange Board of India**

4. This circular shall come into force with immediate effect.
5. This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.
6. The circular is available on SEBI website at [www.sebi.gov.in](http://www.sebi.gov.in) under the categories "Legal framework - Circulars" and "Info for - Alternative Investment Funds".

Yours faithfully,

**Sanjay Singh Bhati**  
**Deputy General Manager**  
**Investment Management Department**  
Tel no.: +91-22-26449222  
[sbhati@sebi.gov.in](mailto:sbhati@sebi.gov.in)