

SEBI amends rules governing alternative investment funds

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- **The regulations concerning Category III AIFs became effective from Wednesday.**

Capital markets regulator Sebi has amended the rules pertaining to investment aspects of certain category of alternative investment funds (AIFs).

Under the rules, Category III AIFs can invest not more than 10 per cent of the investable funds in an investee company, directly or through investment in units of other AIFs, Sebi said in a notification on Wednesday.

Various types of funds such as hedge funds, PIPE Funds, etc. are registered as Category III AIFs.

Further, the large value funds for accredited investors of Category III AIFs can invest up to 20 per cent of the investable funds in an investee company, directly or through investment in units of other AIFs.

This is provided that for investment in listed equity of an investee company, Category III AIFs may calculate the investment limit of 10 per cent of either the investable funds or the net asset value of the scheme, while large value funds for accredited investors of Category III AIFs may calculate the investment limit of 20 per cent of either the investable funds or the net asset value of the scheme.

The new norms called Sebi's AIF Regulations, 2022 became effective from Wednesday.

In November 2021, the regulator allowed category III AIFs, including large value funds for accredited investors of Category III AIFs, to calculate the concentration norm based on net asset value (NAV) of the fund for investment in listed equity of an investee company.

AIFs, in market parlance, refers to a privately pooled investment vehicle which collects funds from investors whether Indian or foreign for investing these funds in India.

Broadly, the AIF rules govern venture capital funds, private equity funds, SME funds, hedge funds among others.