



**CIRCULAR**

SEBI/HO/IMD/IMD-I/DOF6/P/CIR/2021/663

November 22, 2021

To,

**All Alternative Investment Funds (AIFs)**

Sir/ Madam,

**Sub: Clarifications regarding amendment to SEBI (Alternative Investment Funds) Regulations, 2012**

1. Regulation 15(1)(d) of SEBI (Alternative Investment Funds) Regulations, 2012 (“AIF Regulations”) has been amended and notified on November 09, 2021 ([link of the notification](#)) to allow Category III AIFs, including any 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.
2. In this regard, the following is specified –
  - (i) The limit for investment in listed equity shall be calculated based on the NAV of the fund on the business day immediately preceding the date on which the Category III AIF makes such investment.
  - (ii) NAV of the AIF shall be the sum of value of all securities adjusted for mark to market gains/losses (including cash and cash equivalents). The NAV shall exclude any funds borrowed by the AIF.
  - (iii) Passive breach of concentration norm, i.e. when the market value of the investment of Category III AIF in listed equity of an investee company exceeds the investment limit as prescribed under Regulation 15(1)(d) of AIF Regulations, shall be rectified within 30 days from the date of the breach.
3. Further, Regulation 2(1)(fa) has been inserted in AIF Regulations vide the aforesaid amendment to AIF Regulations to state as under –

*“Co-investment’ means investment made by a Manager or Sponsor or investor of Category I and II Alternative Investment Fund(s) in investee companies where such Category I or Category II Alternative Investment Fund(s) make investment:*



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

*Provided that Co-investment by investors of Alternative Investment Fund shall be through a Co-investment Portfolio Manager as specified under the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020;"*

4. In this regard, it is specified that the requirement of appointment of custodian, as provided under Regulation 20(11) of AIF Regulations, shall be applicable if the sum of corpus of the AIF and the value of the Co-investment managed by the Manager of the AIF as Co-investment Portfolio Manager is more than five hundred crore rupees.
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 market 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,

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