Frequently Asked Questions (FAQs)

on

International Financial Services Centres Authority (Fund Management) Regulations, 2025

<u>Disclaimer</u>: These FAQs are not intended to constitute an interpretation of law but are meant solely to provide clarity on concepts related to IFSCA (Fund Management) Regulations, 2025 and Circulars issued thereunder. In the event of any inconsistency between these FAQs and the provisions of relevant Acts / Regulations / Rules / Circulars, the latter shall prevail.

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Preliminary

1. What is a Fund Management Entity?

A Fund Management Entity (FME) is an entity registered with the Authority under one of the categories specified in regulation 3(4) of the IFSCA (Fund Management) Regulations, 2025 ("Regulations"), for undertaking the business of fund management in an International Financial Services Centre (IFSC). .

2. What are the categories under which an applicant can seek registration as a FME?

Regulation 3(4) provides for the following categories of FMEs –

- Authorised FME – permitted to set up Venture Capital Schemes (including Angel Schemes) to invest in unlisted securities of start-ups, emerging or early-stage companies, etc. Also, permitted to be set up by a Single Family to manage its Family Investment Fund for investing in financial products including securities and such other permitted asset classes.

- Registered FME (Non-Retail) – permitted to set up Restricted Schemes, offer Portfolio Management Services, schemes permitted to Authorised FME, and undertake other activities as permitted under the Regulations.

- Registered FME (Retail) – permitted to set up Retail Schemes (Mutual Funds), Exchange Traded Funds, other schemes and activities permitted to Registered FME (Non-Retail) and Authorised FME, and undertake other activities as permitted under the Regulations.

Further details regarding different aspects related to the 3 categories of FMEs, such as their eligibility criteria and other conditions, are covered in subsequent sections.

3. What are the different types of schemes available under the Regulations? What are the types of schemes that each of the categories of FME is eligible to set up?

The Regulations provide for the following schemes –

- Venture Capital Schemes (including Angel Schemes) – to facilitate investments by Accredited Investors / High Net worth investors in start-ups, emerging or early-stage venture capital undertakings.

- Restricted Schemes (Non-Retail Scheme) – to facilitate investments by Accredited Investors / High Net worth investors in a variety of strategies, broadly classified as Category I Alternative Investment Funds (AIFs), Category II AIFs and Category III AIFs.

- Retail Schemes – to facilitate investments by all types of investors, including retail investors.

- Family Investment Fund - set up by a single family for investing in financial products including securities and such other permitted asset classes.

Further, the table below summarizes the type of schemes that each category of FME is eligible to set up, subject to the prior filing with or approval of the Authority in the specified manner:

Category of FME Registration	Venture Capital Scheme (including Angel Scheme)	Restricted Scheme	Retail Schemes
Authorised FME	Yes	No	No
Registered FME (Non-Retail)	Yes	Yes	No
Registered FME (Retail)	Yes	Yes	Yes

Further details regarding different aspects related to these schemes are covered in subsequent sections.

4. What are the other activities that FMEs can undertake once registered with the Authority?

Once registered, a FME, in addition to setting up various schemes as detailed under answer to Question 3, is also permitted to undertake a host of other fund management related activities under the Regulations, as follows:

Category of FME Registration	Setting up an Exchange Traded Fund	Offering Portfolio Management Services	Setting up a Special Situation Fund	Acting as the Investment Manager of an Investment Trust		Setting up an ESG Scheme	Offering Third-Party Fund Management Services
				Public Issue of units	Private Placement of units		
Authorised FME	No	No	No	No	No	Yes	No
Registered FME (Non-Retail)	No	Yes	Yes	No	Yes	Yes	Yes
Registered FME (Retail)	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Fund Management Entity

5. Which activities can be undertaken by an Authorised FME?

An Authorised FME can pool money from accredited investors or investors investing at least USD 250,000 by way of private placement and invest in securities of start-ups, emerging or early-stage venture capital undertakings, which are mainly involved in new products, new services, technology or intellectual property right based activities or a new business model, through Venture Capital Schemes.

An Authorised FME can also be set up by a Single Family to manage its Family Investment Fund for investing in securities, financial products, certain physical assets and such other asset classes as may be permitted by the Authority.

6. What activities can be undertaken by a Registered FME (Non-Retail)?

The Registered FME (Non-Retail) can pool money from accredited investors or investors investing at least USD 150,000 by way of private placement for investing in securities, financial products and such other permitted asset classes, through one or more Restricted Schemes.

The Registered FME (Non-Retail) can also offer Portfolio Management Services (including for multi-family office) and act as investment manager for private placement of Investment Trust (REITs[1] and InvITs[2]).

Such FMEs shall also be able to undertake all activities as permitted to Authorised FMEs.

7. Which activities can be undertaken by a Registered FME (Retail)?

The Registered FME (Retail) can pool money from all investors or a section of investors under one or more schemes for investing in securities, financial products and such other permitted asset classes through Retail, Restricted or Venture Capital Schemes.

Registered FME (Retail) may act as investment manager for public offer of Investment Trusts (REITs and InvITs). Such FMEs shall also be able to set up Exchange Traded Funds (ETFs).

Further, such FMEs shall also be able to undertake all activities as permitted to Registered FMEs (Non-Retail).

8. What are the various legal forms / structures available for setting up a FME in IFSC?

A FME, other than a Registered FME (Retail), can be set up as either a Company or a Limited Liability Partnership (LLP) or a branch thereof or any other form as may be permitted by the Authority.

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[1] REIT – Real Estate Investment Trust
[2] InvIT – Infrastructure Investment Trust

A Registered FME (Retail) can be set up either as a Company or its branch or any other form as may be permitted by the Authority.

However, the branch structure is permitted only for a FME which is already registered and/or regulated by a financial sector regulator in India or a foreign jurisdiction for conducting similar activities. Further, a FME operating in a branch structure in IFSC is required to comply with certain prescribed conditions as detailed in Regulation 5 (2).

9. Can a FME set up multiple schemes?

Yes. A FME may set up multiple schemes subject to filing of placement memorandum/ draft offer document in an appropriate manner with the Authority, which shall be accompanied with the payment of the requisite fees as may be specified by the Authority from time to time.

10. What are the eligibility conditions to be fulfilled by the applicant to seek registration as a FME from the Authority?

The eligibility conditions as mentioned in the Chapter II of the Regulations are required to be fulfilled by the applicant seeking registration as a FME from the Authority. The eligibility conditions comprise of the following criteria –

i. <u>Track record and reputation of fairness</u> (Ref. Regulation 6)

The applicant is required to have a sound track record and general reputation of fairness and integrity in all its business transactions. For the purposes of this clause "sound track record" means –

(a) For a Registered FME (Retail) –

- The FME, its holding Company, or their subsidiaries, having at least 5 years of experience in collectively managing AUM of at least USD 200 million with more than 25,000 investors, or

- Person(s) in control of FME holding at least 25% shareholding in the FME be carrying on activities related to fund management, including portfolio management, wealth management, distribution of financial products, and investment advisory, for a period not less than 5 years, collectively for at least 1,000 investors on assets of at least USD 50 million and such FME has a net worth of at least USD 2 million.

(b) In case of Registered FME (Non-Retail) and Authorised FME, it is required to employ such employees who have relevant experience as specified in the Regulations.

ii. <u>Staffing and competency requirements</u> (Ref. Regulation 7)

FMEs are required to appoint Key Management Personnel (KMP) as follows –

<table>
<tr><th>Category of FME</th><th>Authorised FME</th><th>Registered FME (Non-Retail)</th><th>Registered FME (Retail)</th></tr>
<tr><td>Appointment of Principal Officer</td><td colspan="3">A KMP is designated as “Principal Officer” who shall be responsible for overall activities of the FME (including but not limited to fund management, risk management and compliance).</td></tr>
<tr><td rowspan="3">Appointment of other KMPs</td><td></td><td colspan="2">An additional KMP is designated as a “Compliance Officer” responsible for compliance with the Regulations and ensuring suitable risk management policies and practices at the FME.</td></tr>
<tr><td colspan="2"></td><td>An additional KMP assigned with the responsibility of fund management shall be appointed by the FME before filing of Retail Scheme or ETF with the Authority.</td></tr>
<tr><td colspan="3">An additional KMP is assigned with the responsibility of fund management in a FME managing AUM of USD 1 billion, not including the AUM of Fund of Funds schemes, as at the close of a Financial Year (FY). Such KMP is mandated to be appointed within 6 months from the end of such FY.
The appointment of such additional KMP is optional if the AUM goes below USD 1 billion for 2 subsequent consecutive FYs and is expected to not exceed in near term.

For the FMEs which are set up by Government and Government related investors such as central banks, Sovereign Wealth Funds, international or multilateral organizations or agencies including entities controlled or at least 75% directly or indirectly owned by such Government and Government related investor wherein such investors are the sole contributors, directly or indirectly, of the schemes launched by such FMEs, the appointment of the additional KMP is not required.</td></tr>
<tr><td>Experience and professional qualification of Principal Officer & other KMPs</td><td colspan="3">Professional Qualification: A professional qualification or post-graduate degree or post graduate diploma (minimum 1 year in duration) in finance, law, accountancy, business management, commerce, economics, capital market, banking, insurance or actuarial science from a recognised university/ institution / association or a CFA or a FRM from Global Association of Risk Professionals. In this context, “Professional Qualifications” include CA, CS, CMA and LLB (LLB only for Compliance Officer).
Further, in case of Principal Officer, individuals with significant experience (minimum 15 years) in activities related to fund management, including portfolio management, investment advisory, etc. the educational qualification required for such a person shall be a graduate degree in any field.</td></tr>
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<table>
<tr><th>Category of FME</th><th>Authorised FME</th><th>Registered FME (Non-Retail)</th><th>Registered FME (Retail)</th></tr>
<tr><td></td><td colspan="3">Work Experience: At least 5 years in related activities in the securities market or financial products in an eligible institution. However, there are certain exemptions, as follows:
• For an individual holding Professional Qualifications, work experience of only 3 years is required for appointment on the position of Compliance Officer.
• For an individual holding valid certification(s), as specified by the Authority, post-qualification experience of only 2 years in an eligible institution in IFSC, India or any foreign jurisdiction is required for appointment to the position of Compliance Officer.
• For an individual holding valid certification(s), as specified by the Authority, post-qualification experience of only 3 years in an eligible institution in IFSC, India or any foreign jurisdiction is required for appointment to a KMP position, other than that of Compliance Officer.

Explanation. – “eligible institution” includes the following –
i) Market Infrastructure Institutions, Capital Market Intermediaries, financial sector regulators, FMEs, Banks, Finance Companies, Insurance Companies, and Insurance Intermediaries in IFSC, and equivalent institutions in India or any foreign jurisdiction;
ii) consulting firms / advisory firms / firms of Chartered Accountants / Company Secretaries / Cost Accountants in IFSC, India or any foreign jurisdiction, providing services to the institutions mentioned above in (i), in relation to a financial product; and
iii) a company, whether private or public, if the experience is in relation to finance/ accounts/ secretarial/ law departments of such a company.</td></tr>
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The FME is required to appoint other personnel as commensurate to the size of its operations and activities.

iii. Net worth requirement (Ref. Regulation 8)

Depending upon the category of registration obtained, the FME is required to, at all times, fulfill the below mentioned net worth requirements (specified in the Second Schedule of the Regulations) or such other amount as may be specified by the Authority.

The minimum net worth requirements mentioned below should be separate and in addition to the minimum net worth requirements applicable for other activities within or outside IFSC.

S. No.	Category of FME	Net Worth
1	Authorised FME	USD 75,000
2	Registered FME (Non-Retail)	USD 500,000
3	Registered FME (Retail)	USD 1,000,000 or USD 2,000,000, depending on the track record of the FME as per Regulation 6(2)(a).

In case of FMEs operating in branch structure in IFSC, the specified minimum net worth requirement may be maintained at the parent level. However, the parent entity is required to ensure that adequate funds are available for the branch for its day-to-day operations.

In case, the net worth of the FME goes below the specified level, in terms of the Circular dated February 16, 2024, such FME shall not –

i. launch new schemes in IFSC;

ii. onboard new clients towards any of the activities or undertake new business activities permitted under the Fund Management Regulations;

till the time the net-worth is restored.

iv. Fit and proper requirement (Ref. Regulation 9)

The applicant and its principal officer(s), directors/ partners/ designated partners, key managerial personnel and controlling shareholders are required to fulfill the fit and proper person criteria specified in Regulation 9, at all times.

v. Infrastructure (Ref. Regulation 10)

The FME is required to ensure that it has the necessary infrastructure like adequate office space, equipment, communication facilities and manpower to effectively discharge its activities under the Regulations and circulars issued by the Authority. The infrastructure requirements should be commensurate with the size of its operations in IFSC. The office should be dedicated, secured and accessible only by authorised person(s) of the FME.

11. What is the procedure to obtain a certificate of registration as a FME in IFSC?

An entity desirous of obtaining a certificate of registration as a FME in IFSC shall submit an application in the Single Window IT System of Authority in the manner and format as specified therein.

12. Can a FME change its category of registration subsequently?

A FME which has been granted a certificate of registration under a particular category cannot change its category, except with the prior approval of the Authority.

13. What is the period of validity of the certificate of registration obtained by a FME?

The certificate of registration of a FME shall be valid for such period as may be specified by the Authority, unless suspended or cancelled by the Authority or surrendered by the FME and taken on record by the Authority.

Schemes for Fund Management

Part A: Venture Capital Schemes

14. What is a Venture Capital (VC) Scheme?

VC Schemes are such schemes that primarily invest in unlisted securities of start-ups, emerging or early-stage venture capital undertakings mainly involved in new products, new services, technology or intellectual property right based activities or a new business model or other schemes which invest in such entities and shall also include an Angel Fund.

15. Which categories of FMEs can set up a Venture Capital Scheme?

All categories of FME [i.e., Authorised FME, Registered FME (Non-Retail) and Registered FME (Retail)] are eligible to set up a Venture Capital Scheme.

16. How will a FME set up a Venture Capital Scheme?

A FME may set up a Venture Capital Scheme through private placement by filing a placement memorandum with the Authority along with the applicable fee, in the manner as specified by the Authority.

The VC schemes filed with the Authority shall be open for subscription by investors immediately upon receiving communication from the Authority that the placement memorandum has been taken on record. (**Green Channel**)

However, the Authority may offer its comments to the FME, at any stage, on the placement memorandum of the scheme and the FME shall suitably incorporate these comments in the placement memorandum.

For the purpose of the Income Tax Act, 1961, the communication received by the FME from the Authority that the placement memorandum has been taken on record, shall be construed as Certificate of Registration.

17. In which legal forms can a Venture Capital Scheme be set up?

A Venture Capital Scheme can be set up in IFSC as a Company, Limited Liability Partnership (LLP) or Trust under the applicable laws of India.

18. Can Venture Capital Schemes be open-ended or close-ended?

Venture Capital Schemes can only be close-ended in nature with a minimum tenure of 3 years.

Extension of the tenure of schemes may be permitted up to 2 years subject to approval of 2/3rd of the investors by value of their investment in the Venture Capital Scheme.

Further extension beyond the two (2) year period is subject to express consent of the willing investors and exit opportunity being made available to the dissenting investors.

19. Who can invest in a Venture Capital Scheme?

Following types of persons can invest in a Venture Capital Scheme –

- Accredited Investors (without any investment threshold), and
- Investors investing at least USD 250,000.
- In case the investors are employees or directors or designated partners of the FME, the minimum value of investment shall be USD 60,000.
- Multiple investors can make investments in a venture capital scheme acting together as joint investors wherein each such investor shall invest at least the minimum applicable investment amount.
- Individuals (not more than 2) can make joint investments with another individual who is his/her spouse, parent or son/daughter, in which case the total investment by such individuals shall be at least USD 250,000, unless such investor is an accredited investor.

20. What is the maximum number of investors in a Venture Capital Scheme?

A Venture Capital Scheme shall not have more than 50 investors.

21. What is the minimum and maximum size of corpus of a Venture Capital Scheme?

Each Venture Capital Scheme is required to have a minimum corpus size of USD 3 million and the total corpus shall not exceed USD 200 million.

22. What are the investment restrictions applicable to a Venture Capital Scheme?

Some key investment restrictions include –

- Venture Capital Schemes are required to invest at least 80% of the corpus in investee companies where not more than ten (10) years have elapsed since incorporation of such companies, or other schemes which meet such requirement.
- These schemes may invest in its associates subject to prior approval of 75% investors in the scheme by value.
- Also, Venture capital schemes shall not buy or sell securities from associates, other schemes of the FME or its associates, or an investor who has committed to invest at least fifty per cent. (50%) of the corpus of the scheme, unless prior approval has been obtained from seventy-five per cent. (75%) investors in the scheme by value. The voting process shall exclude such investor(s) who has committed to invest at least fifty per cent. (50%) of the corpus of the scheme and is buying or selling the securities, from or to, the scheme. However, such approval may not be required for a fund of funds scheme which has disclosed in its placement memorandum the details of the underlying

scheme(s) wherein the investments are intended to be made and the nature of association, if any, that the FME has with the manager(s) of such underlying scheme(s).

23. What investment options are being permitted for pending deployment of money by Venture Capital scheme?

FME may invest money in certificates of deposit, units of investment schemes such as overnight, liquid or money market schemes, money market instruments, bank deposits or any other securities or financial assets or instruments as may be specified by the authority, in accordance with the investment objective of the Venture Capital scheme and disclosures made in the placement memorandum.

24. What is the validity period of the Private Placement Memorandum (PPM) for venture capital schemes? What is the option to extend the validity of PPM?

The validity of PPM for venture capital schemes is 12 months from the date of communication from the authority to the FME that the placement memorandum has been taken on record, during which period the FME shall declare the first close of the scheme by achieving the corpus of at least USD 3 million.

In case FMEs fail to achieve minimum corpus within 12 months period, the FMEs shall have the option to extend the validity of the placement memorandum by obtaining extension of 6 months period by –

- paying twenty-five per cent. (25%) of the fee as applicable for the filing of a fresh scheme for the first extension, or
- paying fifty per cent. (50%) of the fee as applicable for the filing of a fresh scheme for the subsequent extensions, and
- Filing such extension with the Authority at such time when the placement memorandum is still valid.

25. Can a Venture Capital Scheme borrow or engage in leveraging activities?

Venture Capital Schemes may borrow funds and engage in leveraging activities subject to the following –

- The maximum leverage by the scheme, along with the methodology for calculation of leverage, are disclosed in the placement memorandum;
- The leverage is exercised in accordance with the disclosures in the placement memorandum and any deviation is subject to consent of two-thirds (2/3rd) of the investors by value; and
- The FME intending to employ leverage has a comprehensive risk management framework appropriate to the size, complexity and risk profile of the scheme.

26. Are the assets of the Venture Capital Scheme required to be valued by an independent valuer?

In line with the investment valuation norms, the assets of the scheme are required to be valued by an independent service provider, such as a fund administrator, a custodian, a credit rating agency registered with the Authority or a valuer registered with Insolvency and Bankruptcy Board of India or such other person as may be specified by the Authority.

However, this requirement shall not apply in case of a fund of funds scheme that invests in scheme(s), regulated by a financial sector regulator, directly or through a manager, in IFSC, India or foreign jurisdiction(s), which are valued by any independent entity.

27. What is the frequency of computing NAV of each Venture Capital Scheme?

The NAV of each Venture Capital Scheme is required to be computed at least on an annual basis. The procedure and methodology for calculating the NAV should be fully documented, and such documentation should be regularly verified and amended if required.

28. What is the prescribed minimum contribution/ investment that the FME has to maintain in the Venture Capital Scheme?

The FME is required to ensure that under a Venture Capital Scheme, the FME or its associate invests –

- at least 2.5% of the targeted corpus and not exceeding 10% of the targeted corpus in a scheme with targeted corpus up to USD 30 million;
- at least USD 750,000 and not exceeding 10% of the targeted corpus in a scheme with targeted corpus of more than USD 30 million.

The said contribution in proportion to investor's investment in the scheme shall be made by the FME or its associate within forty-five (45) days and maintained on an ongoing basis. Further, the contribution, if brought in by FME, may be taken into consideration for the purpose of net-worth requirements specified under the Regulations.

Also, the ceiling of 10% shall not apply for Venture Capital schemes if:

i. the FME and its associate investing in the scheme, are persons resident outside India and do not have any person resident in India as their ultimate beneficial owners; and

ii. not more than one-third of the corpus of the scheme is invested in an Investee Company and its associates.

29. Can the FME be exempted from contributing/ investing in the Venture Capital Scheme?

Yes, the FME may be exempted from contributing to the scheme subject to the following conditions –

- at least 2/3rd of the investors in the scheme by value permits waiver of such contribution;
- at least 2/3rd of the investors in the scheme are accredited investors;
- the scheme is a fund of funds scheme investing in a scheme(s) with similar requirements; or
- the scheme is a relocated scheme established or incorporated or registered outside India to IFSC

30. Can a Venture Capital Scheme co-invest?

A Venture Capital Scheme may co-invest in permissible investments under the Regulations in accordance with the framework to facilitate Co-investment specified vide a Circular dated May 21, 2025.

Part A (1): Angel Funds

31. Which category of Fund Management Entity can set up an Angel Fund?

An Angel Fund / Angel Scheme can be set up in terms of Circular dated July 01, 2022 by a FME belonging to any of the 3 categories, i.e., Authorised FME, Registered FME (Non-Retail), Registered FME (Retail).

32. Who can invest in an Angel Fund?

Angel Funds can accept investments from Angel Investors, which means and includes any investor, including a Venture Capital Scheme or a Restricted Scheme set up in an IFSC and similar regulated scheme or fund set up in India or foreign jurisdiction, who are accredited investors or who commit to invest an amount not less than USD 40,000 within a period of 5 years.

33. Where can an Angel Fund invest OR what are the permissible investments for an Angel Fund?

Angel Funds can invest in early-stage venture capital undertakings or other regulated Angel Schemes or Angel Funds set up in IFSC, India or foreign jurisdiction. An early-stage venture capital undertaking means an incorporated entity which –

i. is incorporated not more than 10 (ten) years before the date of investment,

ii. does not have annual turnover in excess of USD 20 million since its incorporation,

iii. is working towards innovation, development or improvement of products, processes or services, and

iv. is not promoted or sponsored by or related to an industrial group with a group turnover more than USD 50 million.

Angel schemes shall not make any investment in the associates of FME or in any early-stage venture capital undertaking which is connected to angel investors who are investing in such undertaking.

Each investment made in an early-stage venture capital undertaking by an Angel Scheme shall not exceed USD 1.5 million. Each investment by an Angel Fund shall be locked in for a period of at least 1 (one) year from the date of investment.

34. What is the minimum size of corpus of an Angel Scheme?

Each Angel Scheme is required to have a minimum corpus of USD 1 million, reckoned collectively under all the segregated portfolios created thereunder by the FME.

35. What procedure is the FME required to follow for making an investment under an Angel Fund?

The FME of an Angel Fund shall, prior to making an investment, obtain an express consent from every angel investor who desires to contribute to that investment. Accordingly, FME shall structure each investment as a close-ended segregated portfolio by issuing separate classes of units to the consenting angel investors under each segregated portfolio, on a private placement basis. The FME is required to ensure that the assets and liabilities of each segregated portfolio are ring-fenced from other segregated portfolios under an Angel Scheme.

36. How many investors can contribute to a segregated portfolio of an Angel Fund?

The number of angel investors in each segregated portfolio under an Angel Scheme should not exceed 200 (two hundred).

37. Can an Angel Fund participate in subsequent rounds of fund-raising by the early-stage venture capital undertaking in which it is already an investor?

While each investment made by an Angel Scheme in an early-stage venture capital undertaking is capped at USD 1.5 million, it may invest in excess of this limit in those cases where such undertaking is raising more capital and investors of the Angel Fund who have already invested in the said undertaking are desirous of protecting their beneficial interest from dilution. Contribution by an angel investor in subsequent round should be limited to the extent that post-issue beneficial interest in the said undertaking remains the same as his pre-issue beneficial interest therein and the overall exposure of the Angel Fund in a single undertaking, including investments made in subsequent rounds, does not exceed 50% of the total investments made by the Angel Fund under all the segregated portfolios or USD 30 million, whichever is lower.

38. Can an Angel Fund undertake leverage?

No. An Angel Fund is not permitted to undertake leverage in any of its segregated portfolio.

39. Is there a *skin-in-the-game* contribution requirement for a FME in an Angel Fund?

FME is required to ensure a contribution of at least 2.5% of the investment size or USD 20,000, whichever is less, in each segregated portfolio. However, such contribution may be exempt –

i. if at least two-thirds (2/3rd) of the angel investors in that segregated portfolio are accredited investors,

ii. if at least two-thirds (2/3rd) of the angel investors in that segregated portfolio by value permit waiver of such contribution, or

iii. If the investment made under a segregated portfolio is in another regulated Angel Scheme / Angel Fund set up in IFSC, India or foreign jurisdiction which has similar such requirement.

Part B: Restricted Schemes

40. What is a Restricted Scheme?

Restricted Schemes are schemes that may be set up for various investment strategies as detailed below –

(i) Investing in start-up or early-stage ventures or social ventures or SMEs or infrastructure or other sectors or areas which the government or regulators consider as socially or economically desirable and shall include venture capital funds, SME Funds, social venture/impact funds, infrastructure funds, ESG Funds, Special Situation Funds and such other Schemes/Funds as may be specified by the Authority. Schemes falling under this clause shall be close-ended and filed before the Authority as Category I Alternative Investment Fund (**Category I AIF**).

(ii) Investment for undertaking diverse or complex trading strategies including investment in listed or unlisted derivatives. Such Schemes shall be filed before the Authority as Category III Alternative Investment Fund (**Category III AIF**). Such schemes may be set up either as open-ended or close-ended schemes.

(iii) Investment which does not fall under paragraph (i) and (ii) above. Such Schemes may be filed before the Authority as Category II Alternative Investment Fund (**Category II AIF**). Such schemes can be set up as close-ended schemes.

41. Which categories of FMEs can set up a Restricted Scheme?

Registered FME (Non-Retail) and Registered FME (Retail) are eligible to set up a Restricted Scheme.

42. How will a FME set up a Restricted Scheme?

A Registered FME may set up a Restricted Scheme through private placement by filing a placement memorandum with the Authority along with the applicable fee, in the manner as specified by the Authority.

The Restricted Schemes filed with the Authority shall be open for subscription by investors immediately upon receiving communication from the Authority that the placement memorandum has been taken on record. (**Green Channel**)

For the purpose of the Income Tax Act, 1961, the communication received by the FME from the Authority that the placement memorandum has been taken on record, shall be construed as Certificate of Registration.

However, the Authority may offer its comments to the FME, at any stage, on the placement memorandum of the scheme and the FME shall suitably incorporate these comments in the placement memorandum.

43. In which legal forms can a Restricted Scheme be set up?

A Restricted Scheme can be set up in IFSC as a Company, Limited Liability Partnership (LLP) or Trust under the applicable laws of India.

44. Can Restricted Schemes be open-ended or close-ended?

While Category I and Category II AIFs may be set up only as close-ended schemes, the Category III AIF may be set up either as an open-ended or a close-ended scheme.

In case of a close-ended scheme, the maximum tenure and amount to be raised should be decided upfront and disclosed in the placement memorandum. A close-ended scheme is required to have a minimum tenure of 1 year.

Extension of the tenure of close-ended schemes may be permitted up to 2 years subject to approval of 2/3rd of the investors by value of their investment in the Restricted Scheme.

Further extension beyond the two (2) year period is subject to express consent of the willing investors and exit opportunity being made available to the dissenting investors.

45. Who can invest in a Restricted Scheme?

Following types of persons can invest in a Restricted Scheme –

- Accredited Investors (without any investment threshold), or
- Investors investing at least USD 150,000
- In case of Investors who are employees or directors or designated partners of the FME, the minimum value of investment shall be USD 40,000.
- Individuals (not more than 2) can make joint investments with another individual who is his/her spouse, parent or son/daughter. Also, when acting as joint investor, the total investment by such individuals shall be at least USD 150,000.

46. What is the maximum number of investors in a Restricted Scheme?

A Restricted Scheme shall not have more than 1,000 investors or such number as prescribed by the Authority.

47. What is the minimum corpus of a Restricted Scheme?

Each Restricted Scheme is required to have a minimum corpus size of USD 3 million.

48. What investment options are permitted for temporary parking pending deployment of money by Restricted Scheme?

FME may invest money in certificates of deposit, units of investment schemes such as overnight, liquid or money market schemes, money market instruments, bank deposits or any other securities or financial assets or instruments as may be specified by the Authority.

49. What is the validity period of the Private Placement Memorandum (PPM) for Restricted Schemes? Is there an option to extend the validity of PPM?

The validity of PPM for Restricted Scheme is 12 months from the date of communication from Authority to the registered FME for taking the placement memorandum on record, during which the FME shall declare the first close of the scheme by achieving the corpus of at least USD 3 million.

In case FMEs fail to achieve minimum corpus within 12 months period, the FMEs shall have the option to extend the validity of the placement memorandum by obtaining extension of 6 months period by –

- Paying twenty-five per cent. (25%) of the fee as applicable for the filing of a fresh scheme for the first extension, or
- Paying Fifty per cent. (50%) of the fee as applicable for the filing of a fresh scheme for the subsequent extensions, and
- Filing such extension with the Authority at such time when the placement memorandum is still valid.

50. What is the timeframe within which open-ended Restricted Schemes can commence investment activities?

For open-ended Restricted Schemes, the investment activities may be commenced upon reaching the corpus of USD 1 million, subject to achievement of the minimum corpus (USD 3 million) within 12 months period from the date of communication from Authority to the registered FME for taking the placement memorandum on record.

51. What are the investment restrictions applicable to a Restricted Scheme?

Some of the key investment restrictions include –

- Maximum investment by an open-ended Restricted Scheme in unlisted securities should not exceed 25% of the corpus of the scheme. In case of an open-ended fund of funds scheme, this requirement shall not be applicable if such scheme is investing in other open-ended scheme(s) which shall not have investment in unlisted securities in excess of twenty-five per cent. (25%) of their corpus.
- The investments by an open-ended scheme in unlisted securities shall be undertaken only upon achieving the minimum corpus of USD 3 Million
- Restricted Schemes may invest in associates subject to prior approval of 75% investors in the scheme by value.

52. Can restricted schemes buy or sell securities from associates or other schemes of FME/ associates or major investors?

Restricted Schemes shall not buy or sell securities from associates, other schemes of the FME or its associates, or an investor who has committed to invest at least fifty per cent. (50%) of the corpus of the scheme (major investors), unless prior approval has been obtained from seventy-five per cent. (75%) investors in the scheme by value.

While obtaining approval, such investors who have committed to invest at least fifty per cent. (50%) of the corpus of the scheme and are buying or selling the securities, from or to, the scheme, shall be excluded from the voting process.

However, such approval from investors may not be required for a fund of funds scheme which has disclosed in its placement memorandum the details of the underlying scheme(s) wherein the investments are intended to be made and the nature of association, if any, that the FME has with the manager(s) of such underlying scheme(s).

53. Can a Restricted Scheme borrow or engage in leveraging activities?

Restricted Schemes may borrow funds and engage in leveraging activities subject to the following –

- The maximum leverage by the scheme, along with the methodology for calculation of leverage, are disclosed in the placement memorandum;
- The leverage is exercised in accordance with the disclosures in the placement memorandum and any deviation is subject to consent of two-thirds (2/3rd) of the investors by value; and
- The FME intending to employ leverage has a comprehensive risk management framework appropriate to the size, complexity and risk profile of the scheme.

54. Are the assets of the Restricted Scheme required to be valued by an independent valuer?

In line with the investment valuation norms, the assets of the scheme are required to be valued by an independent third-party service provider such as a fund administrator, a custodian, a credit rating agency registered with the Authority, or a valuer registered with Insolvency and Bankruptcy Board of India or such other person as may be specified by the Authority.

However, this requirement is not applicable in case of a fund of funds that invest in scheme(s) regulated by a financial sector regulator, directly or through a manager, in India or foreign jurisdiction(s), which are valued by any independent third-party service provider.

55. What is the frequency of computing NAV of each Restricted Scheme?

The NAV of each open-ended Restricted Scheme is required to be computed at least on a monthly basis and in case of a close-ended Restricted Scheme at least on a half-yearly basis. The procedure and methodology for calculating the NAV should be fully documented, and such documentation should be regularly verified and amended, if required.

56. What are the timelines for NAV disclosure for Non-Retail Schemes?

57. The NAV is required to be disclosed to investors at least on a monthly basis in case of an open-ended scheme and half-yearly in case of a close-ended scheme. The specific time period within which such disclosure is to be made is shall be disclosed in the Placement Memorandum.**What is the prescribed minimum contribution/ investment that the FME has to maintain in a Restricted Scheme?**

In case of a close-ended scheme –

- at least 2.5% of the targeted corpus and not exceeding 10% of the targeted corpus in a scheme with targeted corpus up to USD 30 million;

- at least USD 750,000 and not exceeding 10% of the targeted corpus in a scheme with targeted corpus of more than USD 30 million.

In case of an open-ended scheme –

- at least 5% of the targeted corpus and not exceeding 10% of the targeted corpus in a scheme with targeted corpus of less than USD 30 million;

- at least USD 1,500,000 and not exceeding 10% of the targeted corpus in a scheme with targeted corpus of more than USD 30 million.

The above contribution in proportion to investor's investment in the scheme shall be made by the FME or its associate within forty-five (45) days and maintained on an ongoing basis. Further, the contribution, if brought in by FME, may be taken into consideration for the purpose of net-worth requirements specified under the Regulations.

Also, the ceiling of 10% shall not apply for Restricted Schemes when –

i. the FME and its associate investing in the scheme, are persons resident outside India and do not have any person resident in India as their ultimate beneficial owners; and

ii. not more than one-third of the corpus shall be invested in an investee company and associates of such investee company.

58. Can the FME be exempted to contribute/ invest in the Restricted Scheme?

Yes, the FME may be exempted to contribute to the Restricted Scheme subject to the following conditions –

- at least 2/3rd of the investors in the scheme by value permits waiver of such contribution.

- at least 2/3rd of the investors in the scheme are accredited investors.

- the scheme is a fund of funds scheme investing in scheme which has such similar requirements.
- the scheme is a relocated scheme established/ incorporated/ registered outside India to IFSC.

59. Can a Restricted Scheme co-invest?

A Restricted Scheme may co-invest in permissible investments under the Regulations in accordance with the framework to facilitate Co-investment specified vide a Circular dated May 21, 2025.

Part C: Retail Schemes

60. What is a Retail Scheme?

Retail Schemes are schemes that are set up by Registered FMEs (Retail) with the objective of pooling money from all investors or a section of investors through an offer document, for making investments as per the stated investment objective in various permissible instruments.

61. How will a FME set up a Retail Scheme?

For setting up a Retail Scheme, a FME is required to file a draft offer document, duly approved by the fiduciaries, with the Authority along with the applicable fees, at least twenty-one (21) working days before the launch of the scheme. The FME shall ensure that the comments of the Authority are incorporated in the offer document prior to launch of the scheme.

62. What is the validity period of the offer document for retail schemes?

The validity of the offer document for launch of the Retail Scheme shall be twelve (12) months from the date of communication from the Authority to the FME that the offer document has been taken on record.

63. In which legal forms can a Retail Scheme be set up?

A Retail Scheme can be set up in IFSC as a Company or a Trust under the applicable laws of India.

64. Can a Retail Scheme be open-ended or close-ended?

A Retail Scheme may be set up as an open-ended or a close-ended scheme. In case of a close-ended scheme, the maximum tenure should be decided upfront and disclosed in the offer document. The minimum tenure of a close-ended scheme shall be 3 years.

Extension of the tenure of close-ended schemes may be permitted up to 2 years subject to approval of 2/3rd of the investors by value of their investment in the Retail Scheme and the approval of the Authority.

65. What is the minimum number of investors in a Retail Scheme?

A Retail Scheme is required to have at least 20 investors with no single investor investing more than 25% in a scheme. This condition may be complied within a maximum period of six (6) months from the closure of the offer.

66. What is the minimum size of corpus of a Retail Scheme?

Each Retail Scheme is required to have a minimum corpus of USD 3 million. There is no cap on the maximum corpus of the scheme.

67. What investment options are permitted for temporary parking of money pending deployment by Retail Scheme?

FME may invest money in certificates of deposit, units of investment schemes such as overnight, liquid or money market schemes, money market instruments, bank deposits or any other securities or financial assets or instruments as may be specified by the Authority.

68. What is the minimum initial investment required to commence investment activities for open-ended retail schemes? Is there an option to extend the validity period for achieving the minimum corpus?

For open-ended retail schemes, investment activities can be commenced upon receiving at least USD 1 million from investors and it shall achieve the minimum corpus size (USD 3 million) within 12 months from the date of communication from the Authority, that the offer document has been taken on record.

Upon failure to reach the minimum corpus within 12 months, a one-time option to extend the validity of the offer document for a further period of 6 months is available upon payment of fee equal to that of 50% of fee applicable for filing of a fresh scheme.

69. What are the investment restrictions applicable to a Retail Scheme?

Investment restrictions are applicable depending on the type of the Retail Scheme. Some of the key restrictions include –

- An open-ended Retail Scheme shall not invest more than 15% of the total AUM of the scheme in unlisted securities.
- However, this restriction shall not be applicable in case of investment in unlisted securities issued by an investment fund which is open-ended in nature and is regulated by the concerned regulatory authority in its home jurisdiction and is permitted for offering to retail investors in its home jurisdiction.
- A close-ended Retail Scheme may invest more than 15%, but less than 50%, of the total AUM of the scheme in unlisted securities, subject to minimum investment size of USD 10,000 from each investor.
- However, the minimum amount of investment of USD 10,000 and the cap of 50% shall not be applicable in case of investment by close-ended retail scheme in unlisted securities, issued by an investment fund which is regulated by the concerned regulatory authority in its home jurisdiction and is permitted for offering to retail investors in its home jurisdiction.
- A Retail Scheme shall not invest more than 10% of its AUM in securities of a single company (15% limit with prior approval of the fiduciaries). This limit shall not be applicable in case of sectoral, thematic and Index schemes, in which case, the limit on investment in a single company shall be the weightage of that company in the representative index, provided by an independent entity, that the scheme intends to benchmark with, or 15%, whichever is higher. Fund of funds schemes may invest in such schemes which meet these requirements.

- A Retail Scheme shall not invest more than 25% of its AUM in its associates. Fund of funds scheme is exempted from this ceiling requirement subject to disclosure in the offer document regarding the details of the underlying scheme(s) wherein the investments are intended to be made and the nature of association, if any, that the FME has with the manager(s) of the underlying scheme(s).

- A Retail Scheme shall not invest more than 25% of its AUM in a single sector (other than financial services sector). In case of investment in financial services sector, the amount shall not exceed 50% of the AUM of the scheme. These limits shall not apply in case of a sectoral/ thematic/ Index scheme.

- In case of fund of funds scheme, cap of investment in single sector is not applicable if the investee scheme does not have investment in a single sector in excess of 25% of their AUM, or 50% of their AUM in case of financial services sector or when such scheme(s) are sectoral or thematic or index scheme(s).

70. Can a Retail scheme borrow or engage in leveraging activities?

Retail Schemes cannot borrow except to meet the temporary liquidity needs for the purpose of redemption, subject to maximum borrowing up to 20% of the AUM of the scheme and duration of borrowing shall not exceed a period of 6 months.

71. Are the assets of a Retail Scheme required to be valued by an independent valuer?

In line with the investment valuation norms, the assets of the scheme shall be valued by an independent service provider, such as a fund administrator, a custodian or a credit rating agency registered with the Authority, or a valuer registered with Insolvency and Bankruptcy board of India or such other person as may be specified by the Authority. For fund of funds scheme, valuation of the scheme's assets by an independent service provider may not be required if the underlying scheme(s), regulated by a financial sector regulator, directly or through a manager, in IFSC or India or foreign jurisdiction(s), are valued by any independent entity.

72. What is the frequency of computing NAV of a Retail Scheme?

The NAV of each open-ended Retail Scheme shall be computed on a daily basis and on a weekly basis in case of a close-ended scheme; in such manner as specified by the Authority.

73. What is the prescribed minimum contribution / investment that the FME has to maintain in a Retail Scheme?

In case of a Retail Scheme, the FME or its associate shall invest at least one per cent. (1%) of the AUM of the retail scheme or USD 200,000, whichever is lower. The above contribution shall be made by the FME or its associate within 45 days and maintained on an ongoing basis.

74. Whether the FME contribution is mandatory in a Retail Scheme?

Yes, the FME Contribution in the Retail scheme is mandatory, except in following cases –

- In case of relocated funds established or incorporated or registered outside India to IFSC; and
- In case of a fund of funds scheme investing in scheme(s) which has such similar requirements.

Part D: Special Situation Funds

75. What is a Special Situation Fund?

Schemes that invest in special situation assets in accordance with its investment objectives and may act as a resolution applicant under the Insolvency and Bankruptcy Code, 2016.

76. Which categories of FMEs can set up a Special Situation Fund?

A Registered FME may set up a Special Situation Fund.

77. How will a FME set up Special Situation Funds?

A Registered FME can set up a Special Situation Fund, a category under Restricted Schemes, through private placement by filing memorandum along with the applicable fees in the manner as specified by the Authority in this regard.

The scheme filed shall be open for subscription by investors immediately upon receiving communication from the Authority that the placement memorandum has been taken on record (**Green Channel**).

However, the Authority may, at any stage, offer its comments which shall suitably be incorporated by the FME in the placement memorandum.

For the purpose of the Income Tax Act, 1961, the communication received by the FME from the Authority that the placement memorandum has been taken on record, shall be construed as Certificate of Registration.

78. What is the validity period of the Private Placement Memorandum (PPM) for Special Situation Funds? Is there an option to extend the validity of PPM?

The validity of PPM for special situation funds is 12 months from the date of communication from the Authority, to the Registered FME that the placement memorandum has been taken on record, during which the FME shall declare the first close of the scheme by achieving at least the minimum size of corpus.

In case FME fails to achieve minimum size of corpus within 12 months period, FME shall have the one-time option to extend the validity of the placement memorandum for a further period of 6 months by paying 50 per cent. (50%) of the fee as applicable for filing of a fresh scheme.

79. In which legal forms can a Special Situation Fund be set up?

A Special Situation Fund shall be constituted in IFSC as a Company, or LLP or Trust or any other form as may be permitted by the Authority under the applicable laws of India.

80. What is the nature and structure of a Special Situation Fund?

Special Situation Fund may only be set up as a close-ended scheme and its maximum tenure shall be disclosed upfront in the placement memorandum. Its minimum tenure shall not be less than 3 years. All other norms as applicable to a close-ended Restricted Scheme shall apply to a Special Situation Fund.

Extension of the tenure of a Special Situation Fund may be permitted up to 2 years subject to approval of 2/3rd of the investors by value of their investment in the fund. Further extension to the tenure of a special situation fund beyond the two (2) years period shall be subject to express consent of the willing investors and exit opportunity being made available to the dissenting investors.

81. Can a Special Situation Fund borrow or engage in leveraging activities?

A Special Situation Fund shall not borrow or engage in any leveraging activities other than to meet day-to-day operational requirements.

Exchange Traded Funds

82. What is an Exchange Traded Fund (ETFs)?

Exchange Traded Fund means a scheme of the FME that is mandatorily listed and traded on a recognised stock exchange in IFSC and includes –

- Equity Index based ETFs,
- Debt Index based ETFs,
- Commodity based ETFs,
- Hybrid ETFs,
- Actively Managed ETF,
- Any other ETFs subject to approval of the concerned recognised stock exchange and the Authority.

83. What are the key characteristics of the different types of ETFs listed above?

Type of ETFs	Key Characteristics
Equity Index based ETF	Replicates an equity index of IFSC/ Indian/ foreign jurisdiction to the extent of at least 95% of total assets.
Debt Index based ETF	Replicates a debt index of IFSC/ Indian/ foreign jurisdiction to the extent of at least 90% of total assets.
Commodity based ETF	Invests at least 90% in the specified commodity or related security/ instrument.
Hybrid ETF	Invests in 2 or more asset classes.
Actively Managed ETF	FME has discretion over composition of portfolio subject to stated investment objective and policies.

84. Who can set up ETFs?

Only registered FME (Retail) can set up ETFs.

85. Whether units of ETFs need to be mandatorily listed on a recognised stock exchange in IFSC?

Yes. Units of ETFs should mandatorily be listed on at least one recognised stock exchange in IFSC.

86. Can the investors directly approach the FME for redemption of ETFs?

Yes, investors can directly approach the FME for redemption of ETFs, and no exit load shall be charged if –

- Traded price (based on closing price) of the ETF units is at a discount of more than five per cent. (5%) of NAV for continuous thirty (30) trading days;

- No quotes are available on the recognised stock exchange for five (5) consecutive trading days; or

- Total bid size on the recognised stock exchange is less than higher of one per cent. (1%) of the total units valued at NAV in ETF or USD 2,500 in value, averaged over a period of seven (7) consecutive trading days.

87. What is the process to set up an ETF?

Registered FMEs (Retail) may set up an ETF by filing the draft offer document with the Authority along with the application fees, at least twenty-one (21) working days before the launch of the ETF. The FME shall ensure that the comments of the Authority are duly incorporated in the offer document prior to launch of the ETF. Actively managed ETF shall require prior approval of recognised stock exchange(s) where such ETF is intended to be listed. No offer document of an ETF shall be filed with the Authority unless it has been approved by the fiduciaries

88. What is the validity period of the offer document for ETF?

The validity of the offer document for the launch of the ETF shall be twelve (12) months from the date of communication from the Authority to the FME that the offer document has been taken on record.

89. Will there be market makers in an ETF? Who can be a market maker and what are the other requirements?

Yes, it is mandatory for a FME to appoint a market maker who shall be responsible for liquidity in the trading of ETF by way of providing two-way quotes. Further, the Market Makers are permitted to create units and seek redemptions directly from the FME. Recognised Stock Exchange(s) shall provide –

a. a simplified framework for authorisation of intermediaries registered with the Authority as market makers;

b. detailed rules for market makers viz. maximum spread, minimum quantity, if any, incentives, margining, net-settlement etc.

Environmental, Social and Governance (ESG)

90. What is ESG?

ESG is typically intended to encourage businesses and investors to evaluate impact of their activities on Environmental, Social and Governance factors and for evaluating sustainability related aspects.

91. What is the threshold for ESG related requirements applicable on FMEs?

A FME managing AUM above USD 3 billion as at the close of a financial year is required to comply with prescribed ESG related requirements.

92. What are the ESG related measures which become applicable to a FME managing AUM in excess of the specified threshold?

A FME with AUM above USD 3 billion needs to –

- establish policy on governance around material sustainability-related risks and opportunities;
- disclose in its annual report how the FME identifies, assesses and manages material sustainability-related risks;
- establish and disclose in its annual report the process of factoring sustainability related risks and opportunities into the fund manager's investment strategies and processes, including, where relevant, data and methodologies used; and
- comply with any other sustainability related requirements as may be specified by the Authority.

93. What sustainability related disclosures are required to be made by FME?

All scheme documents filed by FME with the Authority should disclose whether sustainability related risks are incorporated in the decision making. Additionally, a negative statement needs to be included when sustainability related risks are not incorporated in the decision making.

94. What are the disclosures requirements to be made by FME that files a scheme related to ESG?

A FME that files a scheme related to ESG, is required to make full disclosure regarding investment objective, investment policy, strategy, material risk, benchmark, etc., in the manner as specified by the Authority vide a Circular dated January 18, 2023.

Other Fund Management Activities

Part A: Portfolio Management Services

95. Which type of FME can provide Portfolio Management Services to its clients?

A Registered FME, both retail and non-retail, can offer Portfolio Management Services to its clients.

96. Which categories of clients a FME can provide Portfolio Management Services to?

A FME can have the following categories as clients for providing portfolio management services –

- a person resident outside India;
- a non-resident Indian;
- a non-individual resident in India who is eligible under FEMA to invest funds offshore, to the extent of outward investment permitted;
- an individual resident in India who is eligible under FEMA to invest funds offshore, to the extent allowed under the Liberalised Remittance Scheme of Reserve Bank of India.

97. Where can the money be invested under the Portfolio Management Services?

. A FME operating as a portfolio manager in an IFSC is permitted to invest in securities and financial products in an IFSC, India or Foreign Jurisdiction, in terms of the portfolio management agreement between the FME and the client.

In case of discretionary Portfolio Management Service, the FME shall invest in the securities listed or to be listed or traded on the stock exchanges, money market instruments, units of investment scheme and other financial products as specified by the Authority from time to time.

98. Is there a requirement for a Portfolio Manager to enter into a written agreement with the client for providing Portfolio Management Services?

A FME operating as a portfolio manager is required to enter into a written agreement with the portfolio management client that clearly defines the *inter se* relationship and sets out their mutual rights, liabilities and obligations relating to management of portfolio including details pertaining to investment objectives, risk factors, terms of fees, period of the contract, etc.

99. Are Portfolio Managers required to provide any disclosures to clients under the Regulations?

The Portfolio Managers are required to provide a disclosure document to the client, prior to entering into a portfolio management agreement with the client. The disclosure document shall *inter-alia* contain details pertaining to the services offered, risk factors, client representation, financial performance, performance of portfolio manager, auditor observations, nature of expenses, taxation, investor grievance redressal mechanism and litigations by the regulatory authorities against the portfolio manager and its principal officers, directors/ partners/ designated partners and key managerial personnel. The FME shall ensure that a copy of disclosure document is available on its website

Further, the FME is required to periodically furnish a report to the clients in terms of the agreement between it and the client which shall *inter-alia* contain details relating to composition and value of the portfolio, transactions undertaken during the period of the report, beneficial interest received during the period of the report, expenses incurred in managing the portfolio and details of risk relating to the securities recommended by the portfolio manager for investment or disinvestment.

100. In which scenarios can a client withdraw funds or securities before the maturity of the contract under PMS agreement?

The client can withdraw funds or securities before the maturity of the contract under the following circumstances –

- voluntary or compulsory termination of portfolio management services by the FME or the client;
- suspension or cancellation of the certificate of registration of the FME by the Authority; or
- bankruptcy or liquidation of the FME.

101. What is the minimum value of funds or securities that can be accepted by FME from the client under Portfolio Management Agreement?

A FME should not accept funds or securities worth less than USD 75,000 under a portfolio management agreement from the client. However, this requirement shall not apply in case of an accredited investor.

102. Where can the funds of a client availing portfolio management services (other than advisory services) be maintained?

The funds of a client availing portfolio management services (other than those availing only advisory services) may be maintained in –

a. a specific bank account of the FME in a Banking Unit;
b. a specific bank account of the client in a Banking Unit, a bank in India or a Foreign Jurisdiction;
c. a specific account of the client maintained with a regulated broker dealer in IFSC, or an equivalent entity in India or foreign jurisdiction; or

d. any other manner as may be specified by the Authority.

If the funds are maintained in the specific bank account of a client, the FME shall ensure that it is duly authorised to operate the said bank account either by itself or through a custodian and it shall provide the details of all such bank accounts including transactions carried out thereunder, to the Authority, whenever directed to do so.

If the funds of the clients are in a specific account maintained with a regulated broker dealer, the FME shall ensure that –

a. adequate controls are in place to ensure requirement specified under sub-regulation (1) is complied with;

b. it is duly authorised to operate the said account; and

c. it shall provide the details of all such accounts including transactions carried out thereunder, to the Authority, whenever directed to do so.

103. Can the FME indulge in speculative transactions?

The FME shall not, while dealing with clients' funds, indulge in speculative transactions i.e., it shall not enter into any transaction for purchase or sale of any security which is periodically or ultimately settled otherwise than by actual delivery or transfer of security except the transactions in derivatives. Further, the FME shall not use the portfolio of its clients for investment in derivatives, unless express consent has been obtained from its clients.

104. Can a FME charge a return-based fee from the client for rendering portfolio management services?

The FME may charge an agreed fee from the clients for rendering portfolio management services without guaranteeing or assuring, either directly or indirectly, any return. The fee so charged may be a fixed fee or a return-based fee or a combination of both.

105. Can a FME provide advisory services to its clients as a part of its Portfolio Management Services?

Yes, FME as part of its Portfolio Management Services can enter into an agreement for advisory services provided that the advisory services are for a portfolio of minimum USD 75,000, subject to the compliance of applicable Regulations under the IFSCA (Capital Markets Intermediaries) Regulations, 2025.

106. Can a FME pool its portfolio management clients' funds and portfolio of securities with that of FME?

No. The FME is required to segregate each clients' funds and portfolio of securities and keep them separate from its own funds and securities. It is also responsible for safekeeping of clients' funds and securities.

107. Can a FME use omnibus structure for investments as a Portfolio Manager?

If the investments of clients are made in jurisdictions which permit omnibus account structure, the FME may use omnibus structure. However, in such cases, FME shall ensure that the investment using omnibus structure is pursuant to prior consent of the clients and adequate checks are in place to ensure that the clients' securities are earmarked separately.

Part B: Investment Trusts

108. What is an Investment Trust?

Investment Trust means a Real Estate Investment Trust (REIT) or an Infrastructure Investment Trust (InvIT) registered under IFSCA (Fund Management) Regulations, 2025.

109. Who can set up an Investment Trust in IFSC?

Any person from IFSC or India or a foreign jurisdiction is permitted to set up an Investment Trust in IFSC subject to registration of the investment trust with the Authority.

110. What are the sources through which an Investment Trust is permitted to raise funds?

An Investment Trust is permitted to raise funds through –

- Public issue with units listed on a recognised stock exchange; or
- Private placement with units listed on a recognised stock exchange; or
- Private placement with units not proposed to be listed on any recognised stock exchange.

111. What constitutes a Holding company for the purpose of Investment Trust?

Holding Company or HoldCo means a Company or LLP, or any other structure approved by the Authority –

i. in which Investment Trusts holds or proposes to hold controlling interest and at least 51% of the equity share capital or interest and which in turn has made investments in other SPV(s), which ultimately hold the infrastructure assets or property(ies);

ii. which is not engaged in any activity other than holding of the underlying SPV(s), real estate/ properties or infrastructure projects and any other activities pertaining to and incidental to such holdings.

112. Who is the 'Sponsor' of an Investment Trust?

Sponsor of an Investment Trust is any company or LLP or body corporate which sets up the Investment Trust in IFSC and is designated as a Sponsor of such Investment Trust at the time of application.

113. What are the eligibility conditions for a Sponsor of an Investment Trust?

The eligibility conditions for a Sponsor are as follows –

- Each Sponsor shall hold or propose to hold not less than five per cent. (5%) of the number of units of the Investment Trust on post-initial offer basis;

- In case of an InvIT, each Sponsor should have a net worth of not less than USD 15 million in case it is a body corporate or a company, or net tangible assets of value not less than USD 15 million in case of an LLP. However, in case of a REIT, each sponsor should have a net worth of not less than USD 3 million and the sponsor(s), on a collective basis, should have a net worth of not less than USD 15 million; and
- The Sponsor(s) or its associate(s) shall have a track record of experience in development of real estate or infrastructure or fund management in the infrastructure/ real estate sector as may be relevant, of at least 5 years and where the sponsor is a developer at least two projects of the sponsor have been completed.

114. Can an Authorised FME or a Registered FME (Non-Retail) act as the Investment Manager of an Investment Trust in case of public issues?

No. Only a Registered FME (Retail) can be appointed as an Investment Manager in case of public issues.

115. What is the minimum offer and allotment to the public in respect of an Investment Trust listed on a stock exchange?

Post Issue Capital	Minimum No. / value of units to be offered
Less than USD 240 million	At least 25% of the total outstanding units of the Investment Trust
USD 240 million or more and less than USD 600 million	At least USD 60 million
Equal to or more than USD 600 million	At least 10% of the total outstanding units of the Investment Trust

Further, any units offered to sponsor or the investment manager or the project manager or their related parties or their associates will not be counted towards units offered to the public.

116. Can the Investment Trust invest in foreign jurisdictions?

An Investment Trust can invest in IFSC or India or foreign jurisdiction. Any investment in foreign assets should be in compliance with all the applicable laws and requirements in that foreign country.

117. Can an Investment Trust engage in lending activities?

An Investment Trust shall not undertake lending to any person except to the Holding Company/ special purpose vehicle(s) in which the Investment Trust has invested. However, investment in debt securities is not considered as lending for this purpose.

118. What are the listing requirements for units of Investment Trust?

The units of Investment Trust (except for private placement of Investment Trust whose units are neither listed nor proposed to be listed on a stock exchange) shall be listed on a stock exchange –

- in case of initial public offer, within 12 working days from the date of closure of the initial public offer;
- in case of private placement, within 30 working days from the date of allotment.

This requirement is not applicable if the initial offer does not satisfy the minimum subscription amount prescribed in the Regulations.

119. What is the minimum holding period for Sponsor in an Investment Trust?

The sponsor(s) and sponsor group(s) together shall hold not less than twenty per cent. (20%) of the total units of the Investment Trust, on a post-issue basis for a period not less than 3 years from the date of the listing of such units. Any holding by sponsor in the Investment Trust, exceeding twenty per cent. (20%) on a post issue basis, shall be held for a period of not less than one year from the date of listing of such units.

120. Can a person holding the units of the Investment Trust prior to initial offer sell such units immediately after listing of the units?

No. Any person (other than the sponsor(s)) holding units of the Investment Trust prior to initial offer are required to hold the units for a period of at least six months from the date of listing of the units.

121. Under what circumstances can the stock exchange delist units of an Investment Trust?

The stock exchange may delist Investment Trust or schemes or ETF if it is satisfied that –

- the Investment Trust is suspended for trading for more than six months or parties to Investment Trust or FME are not taking adequate action to obtain restoration of listing and trading;
- the Investment Trust or parties to Investment Trust or FME is no longer eligible for listing or trading; or
- the Investment Trust has been compulsorily delisted from another exchange; or
- if the exchange is satisfied that there are special circumstances that require delisting of the Investment Trust; or
- it is directed to do so by the Authority or any other relevant authority or any court order of applicable jurisdiction.

122. Can the FME file for voluntary delisting of units of an Investment Trust?

Yes. The stock exchange in IFSC may delist an Investment Trust, based on request received from the Investment Trust or FME, in the manner prescribed by the stock exchange or the Authority.

Part C: Family Investment Fund

123. What is a Family Investment Fund?

A Family Investment Fund means a self-managed fund pooling money only from a single family and which is set up in accordance with IFSCA (Fund Management) Regulations, 2025.

124. What constitutes a 'single family'?

Single family means a group of individuals who are the lineal descendants of a common ancestor and includes their spouses (including widows and widowers, whether remarried or not) and children (including stepchildren, adopted children, ex nuptial children). Further, in terms of Circular dated March 01, 2023, the scope of 'single family' has been clarified to also include entities such as sole proprietorship firm, partnership firm, company, limited liability partnership, trust or a body corporate, in which an individual or a group of individuals of a single family exercises control and directly or indirectly hold substantial economic interest. For this purpose, "substantial economic interest" shall mean at least 90% economic interest, as demonstrated by the Family Investment Funds (FIF) in an appropriate manner to the satisfaction of the Authority which may, inter alia, include –

i. percentage of shareholding in case of a company with share capital; or right to exercise control in case of a company without share capital;

ii. percentage share of profits in case of partnership firm and limited liability partnership;

iii. percentage of beneficial interest specified in trust deed in case of a determinate trust; or pro-rata share in the trust property in case of an indeterminate trust; or

iv. any other manner as may be demonstrated to the satisfaction of the Authority.

125. In what legal form can a Family Investment Fund be constituted?

Family Investment Fund can be set up in IFSC as a Company, Contributory Trust or LLP or any other form as may be permitted by the Authority from time to time.

126. What is the minimum corpus requirement for a Family Investment Fund?

A Family Investment Fund in IFSC should have and maintain a minimum corpus of USD 10 million within a period of 3 years from the date of obtaining certificate of registration.

127. Can the Family Investment Fund be close-ended?

The Family Investment Fund could be open-ended or close-ended, depending upon the requirements of the family.

128. Can the Family Investment Fund set up additional investment vehicles? What can be the legal form of the investment vehicle?

A Family Investment Fund may set-up additional investment vehicles after filing documents for such vehicles with the Authority and payment of applicable fee as specified by the Authority. Such additional investment vehicles may be in the form of companies, limited liability partnerships, trusts or any other form as may be specified by the Authority.

The Family Investment Fund or the investment vehicle may be construed as Category I Alternative Investment Fund, Category II Alternative Investment Fund or Category III Alternative Investment Fund, depending on the investment strategy adopted.

129. Can the Family Investment Fund engage in leveraging activities?

Yes, a Family Investment Fund can borrow funds and engage in leveraging activities as per its risk management policy.

Part D: Third-Party Fund Management Services

130. What is meant by "third-party fund management services"?

"Third-party fund management services" refers to the activity wherein a Registered FME manages the schemes on behalf of a third-party fund manager.

131. Who is a "third-party fund manager"?

A "third-party fund manager" means an entity registered or regulated for fund management, portfolio management, investment advisory or similar activity with the concerned financial sector regulator in its country of incorporation, and which avails such services from a Registered FME in IFSC.

However, this Part shall not apply where the parent entity or associate provides fund management related support or advice to the FME.

132. Is authorisation required to undertake third-party fund management services?

Yes. A FME intending to set up and manage schemes on behalf of a third-party shall seek authorisation from the Authority, pay the requisite fee and comply with the specified terms and conditions.

133. Can a FME undertake other permitted activities alongside such services?

Yes. A FME may also set up schemes, offer Portfolio Management Services or carry out other permitted activities wherein a third-party fund management arrangement is not involved.

134. Does liability transfer to the third-party under such arrangements?

No. Notwithstanding any arrangement, including indemnification, the FME shall continue to be liable for all obligations and liabilities arising in connection with the arrangement.

135. What is the legal form required for an FME?

The FME shall be set up in IFSC as a company, LLP or any other form permitted by the Authority, with constitutional documents enabling such services.

136. What are the requirements regarding Principal Officers?

For each scheme managed under the third-party fund management arrangement, the FME shall appoint a dedicated Principal Officer responsible for the overall activities with respect to that scheme, including but not limited to fund management, risk management and compliance

137. What are the requirements for Compliance Officers?

- In case of Registered FME (Non-Retail): Compliance Officer for the self-managed schemes or PMS may also act as the Compliance Officer for schemes under third-party arrangement.

- In case of Registered FME (Retail): Compliance Officer for Retail Schemes shall be separate from Non-Retail Schemes, whether self-managed or under third-party arrangement.

138. What is the net worth requirement?

The FME shall maintain an additional net worth of USD 500,000, separate from other applicable net worth requirements.

139. What schemes can be managed under such arrangements?

The FME shall manage Restricted Schemes, provided that the scheme corpus does not exceed USD 50 million or such other value as specified.

140. What are the eligibility criteria for a third-party?

The third-party shall –

- Be incorporated in India, IFSC or a foreign jurisdiction,
- Allocate adequate resources,
- Have persons with requisite experience,
- Meet "fit and proper" criteria.

141. What are the additional disclosures required to be made to investors in schemes under third-party arrangement?

As per Regulation 107(I) the FME shall make the following additional disclosures, besides the disclosures mandated under regulation 36 of FM Regulations, under a separate head/section at a prominent place in the placement memorandum –

- Details of the third-party, and the persons who effectively conduct the business of such third-party;
- Segregation of responsibilities of the FME and the third-party
- Potential conflicts of interest and mitigation measures.
- Any other disclosure as may be specified by the authority

142. What risk management measures are required?

The FME shall have –

- A comprehensive internal risk management framework,
- Segregation of funds and operational independence for all the schemes,

- Mechanisms for investor complaints and disputes,
- Internal policy for periodic internal audits and reporting of the same to the fiduciaries.

143. What due diligence is required for onboarding a third-party?

The FME shall ensure that the third-party –

- Meets eligibility criteria as specified under FM Regulations
- Is qualified and capable of undertaking the entrusted functions, Is onboarded with due care and caution.

144. What monitoring obligations does the FME have?

The FME shall –

- Monitor activities of the third-party and issue such instructions as it may deem necessary,
- Review services on an ongoing basis and share reports with fiduciaries,
- Have a suitable indemnity mechanism which requires the third-party to indemnify the FME from any potential liabilities arising from the funds managed under the third-party arrangement.

145. Can the arrangement be terminated?

Yes. The arrangement shall enable the FME to terminate at any time in the interest of investors or on directions of the Authority.

146. Who is responsible for acts of the third-party?

The FME shall be responsible for all acts of omission and commission of the third-party in relation to such services.

147. Are these schemes treated as separate from FME's own schemes?

No. Such schemes shall be treated to be the schemes of the FME.

148. Do other provisions of the regulations apply?

Yes. All other relevant provisions shall apply mutatis mutandis, unless specified otherwise.

Listing

149. Is listing of the open-ended schemes on recognised stock exchanges in IFSC mandatory?

No. Such listing is at the discretion of the FME.

150. Is listing of the close-ended schemes on recognized stock exchanges in IFSC mandatory?

Listing of close-ended schemes (except in the case of close-ended Retail Schemes) is at the discretion of the FME. A close-ended Retail Scheme, in which the minimum amount of investment by an investor is less than USD 10,000, shall be mandatorily listed on at least one of the recognised stock exchanges.

151. Is there any requirement of seeking approval from recognised stock exchange(s) prior to listing?

The FME which intends to list units of its scheme or ETFs or Investment Trust on the recognised stock exchange(s), is required to obtain 'in-principle' approval from recognised stock exchange(s) in accordance with the requirements of the recognised stock exchange(s).

152. Can an ETF or an Investment Trust issued in a foreign jurisdiction be allowed to list on recognised stock exchange(s) in IFSC? (Secondary Listing)

An ETF or Investment Trust (by whatever name it may be called outside IFSC) may be allowed to undertake a secondary listing and trade on a recognised stock exchange in IFSC, provided–

- The ETF or Investment Trust, as the case may be, is listed in India (outside IFSC) or in a foreign jurisdiction; and
- The ETF or Investment Trust is in compliance with the law of its home jurisdiction.

The application for listing of such ETF or Investment Trust shall be filed with the recognised stock exchange(s) in the format and manner provided by the recognised stock exchange(s).

General Obligations and Responsibilities

153. What is the obligation of a FME regarding books of account, records and documents?

Every FME shall keep and maintain proper books of account, records and documents for each scheme so as to –

- Explain its transactions; and
- Disclose at any point of time the financial position of each scheme and, in particular, give a true and fair view of the state of affairs of the scheme.

The FME shall intimate to the Authority the place where such books of account, records and documents are maintained

154. In what form are the books of account, records and documents required to be maintained?

The FME shall maintain and preserve such books of account, records and documents in electronic retrieval form.

155. What books of account and financial statements are required to be maintained?

The FME shall maintain –

- A copy of the balance sheet at the end of each accounting period;
- A copy of the profit and loss account for each accounting period;
- A copy of the auditor's report on the accounts for each accounting period; and
- A statement of net worth for each quarter.

156. What records are required in relation to AML and CFT?

The FME shall maintain documents relating to compliance with IFSCA (AML, CFT and KYC) Guidelines, 2022 as may be amended from time to time.

157. What client-related records are required to be maintained?

The FME shall maintain –

- Documents relating to account opening of each client; and
- Any power of attorney or signature authority forms of the clients.

158. Are there specific record-keeping requirements after the winding up of a scheme?

Yes. The FME shall maintain the following records in electronic retrieval form for a minimum of five years after the winding up of the scheme –

- The assets under each scheme;
- Valuation policies and practices;
- Investment strategies;
- Particulars of investors and their contribution; and
- Rationale for investments made.

159. What is the minimum tenure for preserving the books of accounts of the FME during the life of the scheme and after winding up?

Every FME is required to maintain and preserve at least the prescribed books of accounts, records and documents, in electronic retrieval form for a minimum of eight years and for a period of five years after winding up of the scheme.

160. What information is the FME required to provide to the Authority?

The FME, fiduciaries or any person involved in the activities of the FME shall accurately and timely furnish such reports, returns, statements and particulars, in such manner, interval and form, as may be specified by the IFSCA. At present, the reporting requirement to the Authority includes the following:

- Quarterly reports to IFSCA in the manner as prescribed vide Circulars dated May 31, 2023, November 03, 2023, April 03, 2025, and/or any other circular issued by the Authority from time to time,
- Annual report of the accounts of the Schemes and abridged summary thereof in accordance with regulation 134. Such annual report of the scheme shall also include audited annual statement of accounts of the scheme.

161. Who appoints the auditor of a scheme and can such auditor also audit the books of accounts of the FME?

The fiduciaries of a scheme shall appoint the auditors for auditing the annual statement of accounts of the scheme. Such auditor shall not be in any way associated with the FME.

162. What conditions are to be fulfilled by the FME for offering guaranteed returns to their investors?

No guaranteed return shall be provided by a FME in a scheme or under an agreement for PMS, unless –

- such returns are fully guaranteed by the FME;
- a statement indicating the guarantee including details thereof is made in the offer document/ agreement;
- the manner in which the guarantee is to be met is stated in the offer document/ agreement.

163. What are the compliance requirements for change in control of the FME?

A FME is required to seek prior approval of the Authority in case of any direct or indirect change in control of the FME. However, for a FME operating in the form of a branch in IFSC, which is required to seek such an approval from the sectoral regulator in its principal place of operations, it shall inform the Authority of the same within fifteen days.

164. Can a scheme set up by a FME be merged into another scheme of the FME?

Merger/ demerger/ restructuring of schemes is permissible subject tothe conditions as may be specified by the Authority and with the prior approval by the Authority.

What is the time limit for adhering to a request from an investor for information about their holding?

A FME shall ensure that investors are provided information about their holding in the schemes of FME at the end of every month and within 10 working days in case of receipt of such request from an investor.

165. What are the criteria for the appointment of custodian for schemes?

The FME shall appoint an independent custodian to provide the custodial services for the following schemes –

- Retail schemes;
- Open-ended Restricted Schemes; and
- All other schemes managing AUM above USD 70 million.

In cases where appointment of custodian is mandatory under the regulation, such custodian shall be based in IFSC, unless the local laws of the jurisdiction where the securities have been issued mandate appointment of a custodian in that jurisdiction, in which case, the FME may appoint a custodian based in that jurisdiction regulated by the financial sector regulator in that jurisdiction for such securities and make necessary arrangement to provide such information to Authority whenever directed to do so.

In case, the FME is required to appoint a custodian in IFSC, such appointment may be made within 24 months from the commencement of the IFSCA (Fund Management) (Amendment) Regulation, 2026, i.e., January 30, 2026, during which period the FME may appoint an independent custodian in India, or any foreign jurisdiction, which is regulated by the financial sector regulator in that jurisdiction and make necessary arrangement to provide such information to Authority whenever directed to do so.

Further, Fund of Funds schemes, where the underlying scheme(s) have appointed independent custodian(s), are exempted from the requirement of appointing a custodian.

166. What are the restrictions on business activities of the FME?

The FME shall not undertake any business activities other than as specified under the Regulations, without prior approval of the Authority. However, FME operating in the form of branch in an IFSC shall inform the Authority within fifteen (15) days regarding any approval obtained from the sectoral regulator in its principal place of operations, if the activity it intends to conduct outside IFSC requires such specific approval

Further, FMEs intending to open a branch or representative office in other jurisdictions, for the purpose of marketing their offerings and client service, shall give prior intimation to the Authority with the details regarding such branch and representative office.

Governance

167. Who are the 'fiduciaries' and at what stage of the lifecycle of a fund are they appointed?

The Board of Directors in case the fund is set up as a Company, the Designated Partners in case of LLP and Trustees (including the board in case of a Trustee company) in case of a Trust are collectively referred to as 'fiduciaries. Fiduciaries are appointed by the FME prior to filing of a scheme document with the Authority.

168. What are the requirements for a FME with respect to ensuring business continuity?

A registered FME is required to maintain a Business Continuity Plan (BCP) identifying procedures relating to an emergency or significant business disruption. It shall update the BCP in the event of any material change to operations, structure, business, or location and shall conduct an annual review of the BCP.

169. What are the requirements for a FME with respect to risk management?

A FME is required to have a sound risk management system for comprehensively managing all risks. It shall have adequate internal procedures and controls, given the types of business in which it engages (including any activities which have been outsourced) with the aim of protecting the interests of clients/investors and their assets and ensuring proper management of risk.

Further, a FME intending to employ leverage shall have a comprehensive risk management framework appropriate to the size, complexity and risk profile of the scheme.

170. What are the requirements for a FME with respect to cyber security or cyber resilience?

A registered FME is required to have a robust cyber security and cyber resilience framework in accordance with the requirements as may be specified by the Authority from time to time. The extant requirements in this regard are prescribed by the Authority vide Circular dated March 10, 2025 and Circular dated March 10, 2026.

171. Is there a code of conduct prescribed for the FME?

Every FME, its fiduciaries, KMPs (including Principal officer, Fund Managers and Compliance Officer) is required to abide by the Code of Conduct as specified in Third Schedule to the Regulations.

172. Is there any particular way in which the advertising or marketing of the schemes can be carried out by a FME?

The Regulations prescribe an Advertisement Code in the Fifth Schedule. A FME is required to comply with this code in advertising its products or services.

173. Can a FME appoint an Investment Committee? If so, what are the responsibilities of the said committee?

The FME may, at its discretion, constitute an Investment Committee to make investment decisions for the schemes. All responsibilities cast upon the FME and Fund Managers under the Regulations, to the extent applicable, shall also be complied with by the members of such Investment Committee.

174. In which circumstances will the Authority undertake inspection of FME and what could be the purpose of such inspection?

The Authority may on its own or upon receipt of information or complaint, appoint one or more persons as inspecting authority to undertake the inspection of the books, accounts, records, documents, infrastructure, procedures, systems of a FME or any other entity associated with the activities under the Regulations for any purpose or to investigate the affairs of schemes and activities as detailed under the Regulations.

The purposes for such inspection may include –

- to ensure that the books of account, records and documents are being maintained in the manner as required under the Regulations;
- to ensure that the provisions of the IFSCA Act, the Regulations and circulars made thereunder, are complied with;
- to ascertain whether adequate internal control systems, procedures and safeguards have been established or are being followed by the FME or other entities to fulfil their obligations under the Regulations;
- to ascertain whether any circumstances exist which would render the FME or other entities unfit or ineligible;
- to inquire into the complaints received from the investors, clients, other market participants, or any other person on any matter having a bearing on the activities of the FME; and
- to inquire on its own into such matters as may be deemed fit in the interest of investors or the financial market in IFSC.

Sovereign Wealth Funds

175. What are the special regulatory dispensations permitted under the IFSCA (Fund Management) Regulations, 2025 to Sovereign Wealth Funds?

Considering the distinct nature and stature of the Sovereign Wealth Funds, in order to remove certain difficulties faced by such funds in setting up their FME and scheme(s) in IFSC, vide Circular dated March 01, 2023, the Authority has provided the following special dispensations to them –

- The ceiling of 10% investment from FME or its associates in case of Venture Capital Schemes and Restricted Schemes [regulations 28(1) and 40(1), respectively], shall not be applicable;

- The restriction that certain schemes can only be close-ended in case of Venture Capital Schemes, Category I and II Alternative Investment Funds [regulations 21 (1) and 30 (1) (a) & (c), respectively], shall not be applicable;

- A Restricted Scheme set up as an open-ended scheme by a FME of a Sovereign Wealth Fund may comply with the provisions, as applicable to close-ended scheme, with respect to investments in physical assets [regulation 34(3)], and computation and disclosure of NAV [regulations 36(3) and 39(1), respectively]. Further, the cap on investments in securities of unlisted companies [regulation 35(1)] shall not apply to such open-ended schemes.

Further, vide a Circular dated March 11, 2024, the Authority has provided the following additional dispensations –

- The requirement of appointment of an independent custodian shall not be applicable to open-ended Restricted Schemes and all other schemes with AUM above USD 70 million [sub-regulation (2) and (3), respectively, of regulation 132 of the Regulations];

- The requirement of having the office space of the FME to be dedicated, secured and accessible only by authorised person(s) of the FME [sub regulation (2) of regulation 10 of the Regulations] is relaxed to the extent that the FME and trustee of Scheme(s) set up in the form of trust, may occupy the same office space if their services are not offered to any third-party.

Additionally, under the regulation 7(4), the FMEs which are set up by Government and Government related investors such as central banks, sovereign wealth funds, international or multilateral organizations or agencies including entities controlled or at least seventy-five per cent. (75%) directly or indirectly owned by such Government and Government related investors wherein such investors are the sole contributors, directly or indirectly, of the schemes launched by such FMEs, are exempted from the requirement of appointing an additional KMP when the AUM of the FME exceeds USD 1 billion.

Indian Diaspora

176. What are the special regulatory dispensations permitted to the Indian diaspora investing in Funds in IFSC?

Recognising the immense investment potential of the Indian diaspora and in order to provide a seamless route for the NRI/ OCI investors to invest into Indian securities through IFSC funds, IFSCA and SEBI have jointly created a regulatory channel for the same.

The SEBI (Foreign Portfolio Investors) (Second Amendment) Regulations, 2024, SEBI Circular dated June 27, 2024 and IFSCA Circular dated May 02, 2024 have dispensed with the ceiling on the aggregate contribution by NRI/ OCI investors to IFSC funds investing into listed Indian securities and provided an avenue for IFSC funds to channel up to 100% NRI/ OCI investments into India in a seamless manner, as opposed to funds in other foreign jurisdictions which are not permitted to accept NRI/ OCI contribution in excess of 50% of their corpus.

In this regard, following two alternative routes for increasing participation by NRIs and OCIs in Indian securities through IFSC based FPIs have been prescribed under SEBI (Foreign Portfolio Investors) Regulations, 2019 –

- **Alternative route 1**: NRI/ OCI/ RI investors may contribute up to 100% in the corpus of IFSC based FPI, where such FPIs will be inter alia required to submit copies of PAN (or other suitable documents in the absence of the same), of all their NRI/ OCI/ RI individual constituents, along with their economic interests in the FPI, to the Designated Depository Participant.

- **Alternative route 2**: NRI/ OCI/ RI investors may contribute up to 100% in the corpus of IFSC based FPIs without the FPI required to submit the documents mentioned under Alternative Route 1, provided it satisfies certain eligibility conditions, including the FME being a subsidiary or branch of an Asset Management Company of a Mutual Fund that is registered with the SEBI and is sponsored by a Bank regulated by the RBI.

Accredited Investors

177. What are the special regulatory dispensations permitted under the IFSCA (Fund Management) Regulations, 2025 to Accredited Investors?

Accredited Investors are considered to be better aware of and have wherewithal to withstand the risks emergent from their investments. Under the IFSCA (Fund Management) Regulations, 2025, the Accredited Investors are, inter alia, permitted to –

- Invest in a Venture Capital Scheme without the applicability of the minimum investment requirement of USD 250,000 [regulation 20(2)],
- Invest in a Restricted Scheme without the applicability of the minimum investment requirement of USD 150,000 [regulation 32(2)],
- Avail Portfolio Management Services from a Registered FME without the applicability of the minimum investment requirement of USD 75,000 [regulation 77(1)],
- Invest in an Investment Trust (REIT and InvIT) which is privately placed and listed on stock exchange without the applicability of the minimum investment requirement of USD 150,000 [regulation 92(c)],
- Invest in an Investment Trust (REIT and InvIT) which is privately placed but not listed on stock exchange without the applicability of the minimum investment requirement of USD 250,000 [regulation 93(b)].

178. What are the eligibility criteria to qualify as an Accredited Investor?

The eligibility criteria for Accredited Investors and the responsibilities of the regulated entities onboarding such investors have been prescribed vide Circular dated January 25, 2024, which, inter alia, provide the following –

1. **Individuals, Sole Proprietorships, One Person Companies, and any other legal form comprising only a natural person**
    i. **Income Criteria:** Annual gross income of not less than USD 200,000 in the preceding financial year, with a reasonable expectation of a similar income level in the current financial year.
    ii. **Net Assets Criteria:** Net assets of not less than USD 1 million, out of which at least USD 500,000 worth of net assets must comprise financial assets. The net assets status must be based on a financial position no older than 6 months.
        - Primary Residence Exclusion: The value of the individual's primary residence is **not included** in determining net assets, and indebtedness related to it (if in excess of FMV) is included as a liability.
        - Financial Assets Definition: Includes investments in capital market products, demand and time deposits with banks/financial institutions

(value considered lower of actual or USD 100,000), and other products specified by the Authority.

iii. **Joint Investments Criteria:**

- **Parent(s) and their child(ren):** At least one person must independently fulfil the eligibility criteria and be responsible for making investment decisions.
- **Spouses:** Their combined income/net worth must meet the eligibility criteria.

2. **Hindu Undivided Families (HUFs) in India and similar such family structures in India and foreign jurisdictions, which are created solely for the benefit of the members of a single family**

   - Which meet the Income Criteria and Net Assets Criteria as above

3. **Partnership firms**

   i. <u>Partner Criteria</u>: All the partners of the partnership firm independently meet the applicable eligibility criteria of Accredited Investors.

   ii. <u>Net Worth Criteria</u>: Net worth not less than USD 5 million and the partner(s) responsible for making investment decisions for the partnership firm meet the applicable eligibility criteria of Accredited Investors.

4. **Trusts**

   i. <u>Beneficiary Criteria</u> – All the beneficiaries of the trust independently meet the applicable eligibility criteria of Accredited Investors.

   ii. <u>Net Worth Criteria</u> - Net worth not less than USD 5 million and the person(s) responsible for making investment decisions for the trust meet the applicable eligibility criteria of Accredited Investors.

5. **Body corporates**

   i. <u>Net Worth Criteria</u> - Net worth not less than USD 5 million.

   ii. <u>Constituent Criteria</u> – All the constituents of the body corporate independently meet the applicable eligibility criteria of Accredited Investors.

6. **Deemed Accredited Investors**

   i. Government and Government related investors of India and foreign jurisdictions, such as central banks, sovereign wealth funds or agencies including entities controlled or at least 75% directly or indirectly owned by such Government and Government related investor(s);

   ii. Multilateral agency, supranational agency or any international organization of similar nature;

   iii. University funds, Pension funds and provident funds set up in IFSC, India or foreign jurisdiction;

iv. University related endowments of such universities that have been in existence for more than five years;

v. Venture Capital Schemes, Restricted Schemes, Retail Schemes, Exchange Traded Funds and Investment Trusts in IFSC. Any such schemes or funds in India or foreign jurisdiction which are regulated in their jurisdiction and wherein no single investor holds more than 33% beneficial interest;

vi. Family investment funds set up in IFSC and similar regulated vehicles set up in India or foreign jurisdictions;

vii. A body corporate, when acting on its own account or on account of its clients who are Accredited Investors, which is licensed, authorised, recognised or registered by Authority as any of the following; or an entity, when acting on its own account or on account of its clients who are Accredited Investors, which is permitted by a financial sector regulator of India or of a foreign jurisdiction to carry out a financial activity which corresponds to the activities permitted by Authority to the following –

- banking unit,
- broker dealer,
- clearing corporation,
- clearing member,
- credit rating agency,
- custodian,
- debenture trustee,
- depository,
- depository participant,
- finance company or finance unit,
- fund management entity,
- global regional corporate treasury centre,
- insurance offices,
- investment adviser,
- investment bank,
- stock exchange, and
- any other entity, as may be specified by Authority.

179. What must a Regulated Entity ensure before accepting an investor as an Accredited Investor?

The Regulated Entity shall inter alia ensure that it –

- Lays down adequate procedures and internal policy for verifying and periodically reviewing eligibility; and

- Takes all reasonable steps to verify that the investor meets or continues to meet the eligibility criteria.

180. What documents can be relied upon for verification of financial parameters?

The Regulated Entity shall obtain such documents and records as are necessary to satisfactorily determine the eligibility of the investor. Alternatively, for verification of financial parameters such as income, net assets / net worth, it may rely upon:

- Certificate(s) provided within the preceding 6 months by members of The Institute of Chartered Accountants of India; or

- Professional bodies equivalent thereto in foreign jurisdictions as identified in the Gazette notification (G.S.R. 882(E) dated November 28, 2019), or as specified by the Authority.

181. Who takes the final decision to onboard an investor as an Accredited Investor?

The decision to onboard an investor as an Accredited Investor will be that of the Regulated Entity.

182. What are the record-keeping requirements?

The Regulated Entity shall –

- Keep and maintain records of verification and review for the entire duration of the relationship; and

- Thereafter, maintain such records in electronic retrieval form for a minimum period of six (6) years.

183. What are the confidentiality obligations?

The Regulated Entity shall –

- Ensure complete confidentiality of investor's information; and

- Ensure compliance with applicable laws while seeking and storing such information.

However, such information shall be made available to the Authority as and when desired for regulatory purposes.

184. Is periodic review of Accredited Investor status required?

Yes. The Regulated Entity shall undertake –

- Periodic review of validity of accreditation; or
- Review whenever there is reason to believe a material change in circumstances.

In ordinary course, such review may be undertaken concurrently with Customer Due Diligence under IFSCA (AML, CFT & KYC) Guidelines, 2022.

185. Can the verification process be delegated?

Yes. The Regulated Entity may delegate verification of eligibility (at onboarding or periodic review) to –

- Entities authorised by the Authority to provide Administration Services;
- Fund Management Entities registered with the Authority; or
- Any other entity as specified by the Authority.

However, the Regulated Entity onboarding the Accredited Investor remains responsible for compliance.

186. What disclosures must be made to Accredited Investors?

The Regulated Entity shall inform the investor that –

- the usual investor protection measures may not be made available or may be available to a lower extent.
- Being onboarded as an Accredited Investor is voluntary on part of the investor and may be withdrawn by such investor at any time upon intimation to the concerned Regulated Entity.

Further, the investor shall confirm in writing that –

- It understands the risks, costs and benefits; and
- It wishes to be treated as an Accredited Investor.

187. What are the consequences of withdrawal of consent of an Accredited Investor?

Upon such withdrawal, transactions previously entered by that investor will not be affected by the change in status. The Regulated Entity may continue to deal with that investor as if it were an Accredited Investor in respect of any contractual agreement entered into with that investor prior to withdrawal of consent.

For example, investments in schemes or in portfolio management services which were made when the investor was an Accredited Investor, are not expected to be redeemed or liquidated when the investor subsequently withdraws its consent from being treated as an Accredited Investor. However, additional investment, if any, intended to be made by such an investor in such a scheme or portfolio management service shall be required to be of such value that it brings the total invested amount at least to the minimum level as specified by Authority from time to time.

Fees

188. What is the fee structure for the Fund Management Entity and for various schemes under the IFSCA (Fund Management) Regulations, 2025?

The FMEs are required to pay fees to the Authority in terms of the Circular(s) issued in this regard from time to time. The current fee structure is prescribed vide a Circular dated March 02, 2026, as may be amended from time to time, and, inter alia, provide the following:

<table>
<tr><th rowspan="3">S. No.</th><th rowspan="3">Type of Entities</th><th rowspan="3">Application Fee</th><th colspan="2" rowspan="2">Registration/ Authorisation Fee</th><th colspan="4">Recurring Fee</th><th rowspan="3">Activity based fee</th></tr>
<tr><th colspan="2">Flat</th><th colspan="2">Conditional</th></tr>
<tr><th>Type of Fee</th><th>Amount</th><th>Type of Fee</th><th>Amount</th><th>Basis of Fee</th><th>Amount</th></tr>
<tr><td>A.</td><td colspan="9">FMEs & Funds</td></tr>
<tr><td>i</td><td>Authorised FME (except Family Investment Fund)</td><td rowspan="4">$2,500</td><td rowspan="4">Registration</td><td>$5,000</td><td rowspan="4">Annual</td><td rowspan="4">$3,000</td><td rowspan="4">N.A.</td><td rowspan="4">Nil</td><td rowspan="4">Nil</td></tr>
<tr><td>ii</td><td>Family Investment Fund</td><td>$15,000</td></tr>
<tr><td>iii</td><td>Registered FME (Non - Retail)</td><td>$7,500</td></tr>
<tr><td>iv</td><td>Registered FME (Retail)</td><td>$10,000</td></tr>
<tr><td>v</td><td>Third-Party Fund Manageme</td><td>$2,500</td><td>Authorisation</td><td>$7,500</td><td>N.A.</td><td>Nil</td><td colspan="2">$2,000 for each Third-</td><td>Nil</td></tr>
</table>

S. No.	Type of Entities	Application Fee	Registration/ Authorisation Fee		Recurring Fee				Activity based fee
					Flat		Conditional		
			Type of Fee	Amount	Type of Fee	Amount	Basis of Fee	Amount	
	nt Services Providers[3]						Party Fund Manager to whom such third-party fund management services are provided[4]		
	Fee for filing placement memorandum / offer document with the Authority								
vi	Venture Capital Scheme	N.A.			Annual	$1,000 per scheme	N.A.	Nil	$5,000
vii	Angel Fund	N.A.			N.A.	Nil	Filing of intimation regarding investment	$500	$3,000
viii	Restricted Scheme								
	(a). Category – I AIF	N.A.			Annual	$1,000 per scheme	N.A.	Nil	$5,000
	(b). Category – II AIF								$10,000
	(c). Category – III AIF	N.A.					N.A.	Nil	$15,000

[3] *Such fee shall be applicable for each financial year after the year in which the FME enters into a contract with such TPFM.*

[4] ***Explanation:*** *The above recurring fee is in addition to the Recurring Fee (Flat) of USD 3,000 payable by a Registered FME in terms of this Circular, as may be amended or clarified from time to time.*

S. No.	Type of Entities	Application Fee	Registration/ Authorisation Fee		Recurring Fee				Activity based fee
					Flat		Conditional		
			Type of Fee	Amount	Type of Fee	Amount	Basis of Fee	Amount	
	(d). Special Scheme				N.A.	Nil			The fees applicable to the Special Scheme will be fifty per cent. (50%) of the fees applicable to the existing scheme.
ix	Retail Scheme				Annual	$1,000 per scheme			$15,000
x	Exchange-Traded Fund (ETF)								$15,000
xi	Investment Trust	N.A.							0.05% of offer size
xii	Provision of Portfolio Management Services								$5,000
xiii	Applications for Regulatory / Innovation Sand box, Fund lab, etc.								$2,500
	Notes:								

<table>
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<tr><td></td><td colspan="9">a. Registered FMEs filing ESG schemes with the Authority in terms of Chapter V of the IFSCA (Fund Management) Regulations, 2025, shall be waived the scheme filing fee as specified above if the disclosures in the scheme are in line with the disclosures provided by the Authority for such schemes. The waiver of fee shall be applicable to only the first 10 ESG schemes registered with the Authority and each FME shall be permitted to avail the waiver only once.
b. Registered FMEs filing ETFs with the Authority in terms of Chapter IV of the IFSCA (Fund Management) Regulations, 2025, shall be waived the filing fee as specified above for the first 3 ETFs filed by such FME with the Authority. The waiver of fee shall be applicable only to the first 30 ETFs registered with the Authority.</td></tr>
</table>

189. What is the amount of the annual recurring fee payable in the financial year in which the registration is granted to the FME or a scheme is taken on record?

For the financial year in which the registration is granted to the FME or a scheme is taken on record, the recurring fee shall be calculated on a pro-rata basis for every remaining month in that financial year. For the purpose of calculation of the recurring fees, part of a month shall be considered as the full month.

190. When the pro rata recurring fee is due after obtaining FME registration or getting the scheme taken on record?

The applicable pro-rata recurring fee is payable within 15 days from the grant of FME registration or getting the scheme taken on record.

191. What is the amount of the recurring fee payable in the financial years following the financial year of the grant of registration?

For each financial year, following the year in which the registration was granted, a flat recurring fee of USD 3,000 shall be payable for the FME registration and a flat recurring fee of USD 1,000 shall be payable for each scheme, except Angel Scheme and Special Scheme.

192. When is the recurring fee due for the subsequent financial years after the year of grant of registration?

For the financial year, after the financial year in which the FME registration has been granted or scheme has been taken on record, the applicable flat recurring fee shall be payable by 30th April of the financial year to which the fee pertains.

For example, the flat recurring fee for FY 2026–27 shall be payable by April 30, 2026.

193. What is the penalty in case of delay in payment of the recurring fee by the FME?

If a FME fails to pay the outstanding annual recurring fees, in part or full, to the Authority within the specified time, then the fees will increase by a simple interest of 0.75% per month. For the purpose of calculation of late fees, a part of a month shall be considered as a full month.

194. In which currency should the annual recurring fee be paid?

The recurring fees shall be paid only in USD.

195. How should the FME intimate the Authority about the remittance of the fee?

After the payment of the applicable fees, the FME shall intimate to the Authority about the details of such payment in the form and manner specified at Schedule II in the Circular dated March 02, 2026 as may be amended from time to time.

Miscellaneous

196. Are there regulatory relaxations provided under the Regulations for encouraging innovation of investment products?

Regulation 145 provides an enabling framework wherein the Authority may exempt any person or class of persons from the operations of all or any provisions of the Regulations for furthering innovation in aspects relating to testing of new products, strategies, processes, services, business models, etc. Further, for any experiment in a scheme towards a new strategy, no public money shall be solicited.

This exemption shall be valid for a specified period not exceeding 18 months and shall be granted subject to the applicant satisfying conditions prescribed by the Authority.

The information in the FAQs has been updated till June 30, 2026.

For full particulars of laws governing fund management in IFSCs, and for updates / amendments to the Circulars / Guidelines referred to in these FAQs, please refer to the Acts / Regulations / Guidelines / Circulars appearing under the 'Legal' section of IFSCA website, i.e., https://ifsca.gov.in.

Any queries about the IFSCA (Fund Management) Regulations, 2025 may be addressed to the Division of Funds Regulation (Policy & Regulation), Department of Capital Markets, IFSCA.

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