



CONSULTATION PAPER ON

REVIEW OF IFSCA (FUND MANAGEMENT) REGULATIONS, 2022

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A. Background

1. Prior to institution of IFSCA as the unified regulator for IFSCs in India, laws notified by the domestic regulators were in force in IFSC for regulating different activities. After IFSCA was vested with the powers to develop and regulate IFSCs in India, it has notified various regulations under the IFSCA Act, 2019 and, thereby, repealed the corresponding regulations which were drawn from the domestic regulators so far as their applicability in IFSCs is concerned.
2. The Alternative Investment Funds (AIFs) in IFSCs were previously governed under the provisions of SEBI (AIF) Regulations, 2012. Over a period of time, certain changes with regard to regulatory regime for AIFs in IFSC were made to benchmark with a few key practices in line with various global financial centres. Further, regulatory frameworks for Real Estate Investment Trusts (REITs), Infrastructure Investment Trusts (InvITs) and Portfolio Management Services (PMS) were separately issued by IFSCA. However, in line with the practices prevalent in developed financial centres, there was a need to have a unified regulatory approach concerning the various activities related to fund management.
3. In this backdrop, an Expert Committee on Investment Funds was constituted to recommend the road map for the funds industry in IFSCs. The Committee was constituted under the Chairmanship of Mr. Nilesh Shah, MD, Kotak Mahindra Asset Management Co. Ltd. and Member, Economic Advisory Council to the Prime Minister. The Committee comprised of leaders from the Fund Management ecosystem including from areas such as technology, distribution, legal, and compliance. The Committee, after extensive deliberations and drawing on the



wealth of the collective experience of its members, submitted its recommendations, which were, thereafter, made available for public consultations. Upon review and deliberations by the Board of IFSCA, the IFSCA (Fund Management) Regulations, 2022 (“**FM Regulations**”) were notified in April 2022 and came into effect in May 2022.

4. Further, in its endeavour to position GIFT-IFSC as the preferred jurisdiction for fund management activities, several other measures have been taken by IFSCA, as demonstrated below:
 - a. In recognition of the unique stature of the Sovereign Wealth Funds and their need for certain regulatory enablers, IFSCA has carved out exemptions from certain regulatory requirements, as the regulatory intent of these requirements is not found relevant for the Fund Management Entities (FMEs) and schemes which are set up by Sovereign Wealth Funds. These exemptions were provided under IFSCA Circulars dated March 01, 2023¹ and March 11, 2024².
 - b. In recognition of the crucial role that Distributors play in the fund management ecosystem by acting as the bridge between the FMEs and the investors, a comprehensive framework governing their operations, scope of activities, regulatory expectations and a detailed code of conduct has been prescribed by IFSCA vide Circular dated December 21, 2022³ under IFSCA (Capital Market Intermediaries) Regulations, 2021.
 - c. In order to facilitate setting up of Family Investment Funds in IFSC, certain clarifications have been provided by IFSCA vide Circular dated March 01, 2023⁴.

¹ IFSCA Circular dated March 01, 2023 (URL - <https://shorturl.at/LbFIS>)

² IFSCA Circular dated March 11, 2024 (URL - <https://shorturl.at/097fx>)

³ IFSCA Circular dated December 21, 2022 (URL - <https://shorturl.at/OpzDR>)

⁴ IFSCA Circular dated March 01, 2023 (URL - <https://shorturl.at/wXqfG>)



- d. The FM Regulations provide a specific type of scheme, called Venture Capital Scheme, for investments into startups, for which the eligibility criteria as well as the ongoing requirements for the FME have been prescribed to be lighter touch. Further, considering the crucial role that startup ecosystem plays in a nation's economy, in order to boost angel investing in startups, a dedicated regulatory framework for Angel Schemes was instituted by IFSCA vide Circular dated July 01, 2022⁵.
- e. In order to provide ease of investing to sophisticated investors, a detailed framework for Accredited Investors in IFSC was instituted vide Circular dated January 25, 2024⁶. The FM Regulations already provide significant ease of doing fund management business to such FMEs which deal with Accredited Investors.
- f. In order to promote consistency, comparability and reliability in disclosures by ESG schemes and ensure that they are true to their label, IFSCA instituted certain initial and periodic disclosures requirements vide a Circular dated January 18, 2023⁷. The Circular, which is principle-based and largely aligned with international best practices, also provides norms for ongoing monitoring and performance evaluation of ESG schemes.
- g. A framework^{8,9} for offsite supervision of the FMEs has been put in place which provides periodic updates to the IFSCA from the industry participants, enables IFSCA to keep a close track of the trajectory of the business activities in IFSC and practice risk-based supervision.
- h. In order to enhance ease of doing fund management activities in IFSC, vide Circular dated April 05, 2024¹⁰, for all schemes launched under Chapter III

⁵ IFSCA Circular dated July 01, 2022 (URL - <https://shorturl.at/56tLH>)

⁶ IFSCA Circular dated January 25, 2024 (URL - <https://shorturl.at/oCeCB>)

⁷ IFSCA Circular dated January 18, 2023 (URL - <https://shorturl.at/Lgqpr>)

⁸ IFSCA Circular dated May 31, 2023 (URL - <https://shorturl.at/Vbm1f>)

⁹ IFSCA Circular dated November 03, 2023 (URL - <https://shorturl.at/L9FOK>)

¹⁰ IFSCA Circular dated April 5 2024 (URL - <https://shorturl.at/OHwjy>)



(except Part C: Retail Schemes) of the FM Regulations, the FMEs have been permitted to launch the schemes after filing the fund documents ensuring minimum disclosures with the IFSCA.

5. Since the notification of the FM Regulations and other policy measures as detailed above, the fund management industry in GIFT-IFSC has been growing at a healthy pace and attracted several domestic and foreign FMEs to set up their fund management business in IFSC. **As on June 30, 2024, there are 116 FMEs registered with IFSCA which have collectively launched 143 schemes targeting a corpus of ~ USD 38.42 Billion, raised ~ USD 5.3 Billion and invested USD 4.5 Billion.** The largest share (~95%) of these investments has been channeled to India, a testimony of IFSCA's commitment to '*onshore the offshore*', while also creating a seamless conduit for the foreign investors, Non-Resident Indians (NRIs) and Overseas Citizens of India (OCIs), looking to invest into and participate in the growing Indian economy. **Out of the 143 schemes, there are 11 Venture Capital Schemes (including Angel Schemes), 49 Category I & Category II Restricted Schemes and 83 Category III Restricted Schemes.** Further, 19 FMEs have also taken permission to provide portfolio management services.

6. The FM Regulations allow FMEs to launch a wide variety of schemes depending on their investment strategies. So far, schemes with different strategies as mentioned above, have been launched to cater largely to non-retail investors. However, with the **recent budget announcement in July 2024**, which accorded a taxation regime to retail funds and ETFs in IFSC, it is expected that FMEs will also aim to launch retail-oriented schemes, which will lead to further expansion of the fund management industry in IFSC and add another dimension to its growth. Further, the **recent amendments to SEBI (Foreign Portfolio Investors) Regulations, 2019**¹¹, SEBI Circular dated June 27, 2024¹² and IFSCA Circular

¹¹ SEBI (Foreign Portfolio Investors) (Second Amendment) Regulations, 2024 (URL - <https://shorturl.at/AHvd1>)

¹² SEBI Circular dated June 27, 2024 (URL - <https://shorturl.at/Oij3y>)



dated May 02, 2024¹³ have dispensed with the ceiling on the contribution by NRI / OCI investors to IFSC funds investing into listed Indian securities and provided an avenue for IFSC funds to channel 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.

7. A vast majority of schemes in IFSC are set up in the form of trust, while a small number of schemes (~9%) are in the form of LLP. With the announcement in the recent budget in July 2024 by the Hon'ble Finance Minister regarding the '**Variable Capital Company**' (VCC) structure for, *inter alia*, pooled funds, it is expected that the FMEs in IFSC will have a wider array of options of legal forms for setting up of their schemes.
8. Further, analysis of the fund management activities in GIFT-IFSC is presented in **Annexure 1**.

B. Agenda of the Consultation Paper

1. In continuation to IFSCA's efforts to create a globally benchmarked regulatory framework, a public consultation exercise was undertaken in October 2023¹⁴, inviting suggestions from public and regulated entities. Further, in course of interactions with market participants during several round-table discussions, industry conclaves, series of discussions organized with industry leaders by IFSCA as '*Chintan Shivir*' and other meetings, several suggestions have been received by IFSCA which have provided valuable inputs for IFSCA's internal assessment.
2. With a view to implement the key suggestions received as above, to further IFSCA's commitment to the development of GIFT IFSC as a preferred global jurisdiction for fund management activities and to make the FM Regulations future-ready for the next phase of growth of the fund management activities in IFSC, the

¹³ IFSCA Circular dated May 02, 2024 (URL - <https://shorturl.at/kppSf>)

¹⁴ IFSCA Press Release dated October 10, 2023 (URL - <https://shorturl.at/ZjU4c>)



instant Consultation Paper encapsulates a series of proposals for amendments to the FM Regulations. These proposals have been broadly categorized under the following 3 categories (or a combination of these):

- a. **Proposals aimed at enhancing Ease of Doing Business (EoDB):** In IFSCA's interactions with the industry participants as well as the comments received as a response to the Press Release dated October 10, 2023, some of the areas have been identified where the FMEs in IFSC are likely to experience operational hassles or where there is a potential to reduce the regulatory thresholds in line with the practices prevalent in other jurisdictions. Such proposals have been categorized as '**EoDB**'. Substantial proposals in the consultation paper are EoDB oriented and aimed towards bringing in efficiency by streamlining processes/timelines, reducing operational issues and the compliance burden.
 - b. **Proposals aimed at introducing additional Safeguards:** Given the notable pace of growth of fund management activities in IFSC, it is imperative that a healthy culture of compliance is nurtured amongst the FMEs by, *inter alia*, ensuring adequate regulatory safeguards. These proposals are expected to lead to better protection of the investors in IFSC funds and orderly growth of business activities in IFSC. Such proposals have been categorized as '**Safeguard**'. A few EoDB proposal may have certain conditions attached towards Safeguards so as to minimize or avoid the potential misuse.
 - c. **Proposals aimed to provide Clarifications:** The last set of the proposals are aimed to address drafting related issues, enhance readability of the FM Regulations or provide clarity of the regulatory intent. Such proposals have been categorized as '**Clarification**'.
3. The list of the provisions of the FM Regulations which are proposed to be amended and the rationale for the same, along with the proposed text of amendment, is placed at **Annexure 2**. Each of these proposals are specifically tagged under the



categories – “**EoDB**”, “**Safeguard**” and “**Clarification**” or a combination of these categories, to adequately represent the intent behind the proposal.

C. Public Comments

1. Comments and suggestions from public are invited on the amendments proposed to IFSCA (Fund Management) Regulations, 2022 as listed in **Annexure 2**.
2. Comments may be sent by email to Mr. Aditya Sarda, Deputy General Manager, IFSCA at aditya.sarda@ifsca.gov.in with a copy to Mr. Pavan Shah, General Manager, IFSCA at pavan.shah@ifsca.gov.in latest by **August 26, 2024**.
3. The comments may be provided in the following format (MS Word or MS Excel only):

Name and Details of the Person / Entity [Organisation name (if applicable), Contact No., Email address]					
S. No.	Paragraph No. (as per Annexure 2)	Regulation No.	Comments / Suggestion / Proposed amendment	Detailed Rationale	Other supporting information*

* such as relevant practices prevalent in other financial centres, practices in others business areas, potential impact of the suggestion, etc.

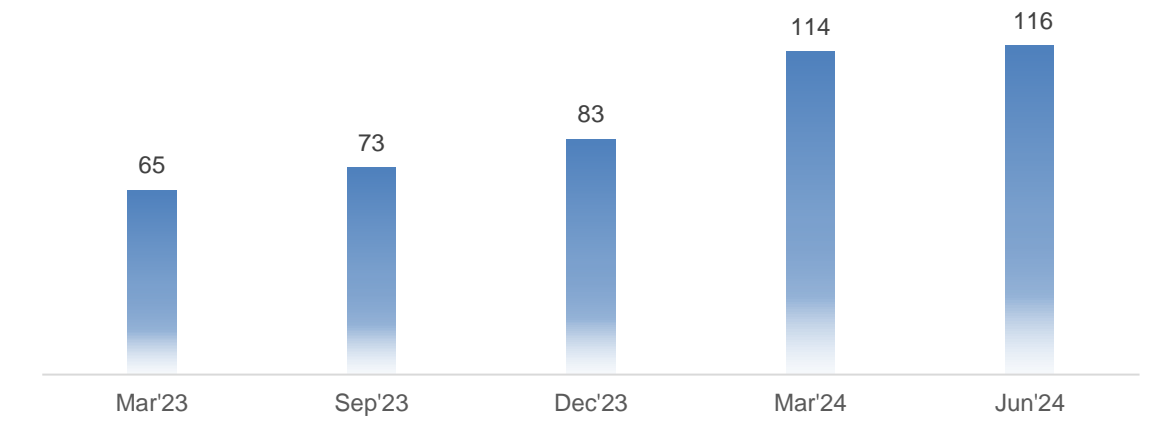


Annexure 1

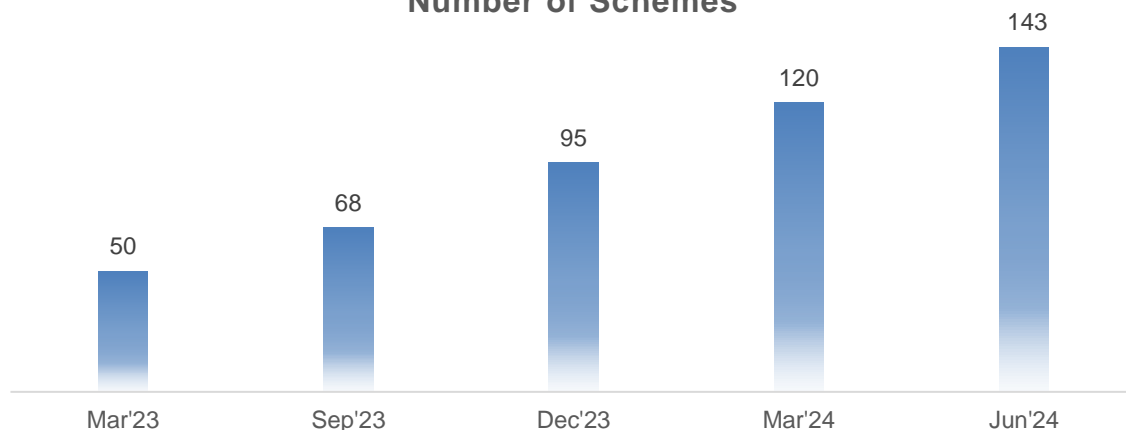
Analysis of Fund Management Activities in GIFT-IFSC

1. Fund Management has been one of the early success stories of GIFT-IFSC. Since the notification of IFSCA (Fund Management) Regulations, 2022 (“FM Regulations”), the industry has been growing at a healthy pace, which is reflected in the rising number of FMEs, schemes and the commitments / funds raised or investment made by them, as depicted below. The remarkable expansion in a short span highlights the rapid evolution of the industry.
2. From 65 FMEs in March 2023, the number of FMEs in IFSC as on June 30, 2024 has grown to 116 indicating an average quarterly growth rate of 16.3%. Further, the number of Funds in IFSC stands at 143 as at the end of June 2024, as against 50 Funds as on March 31, 2023 and 24 Funds as on March 31, 2022.

Number of FMEs



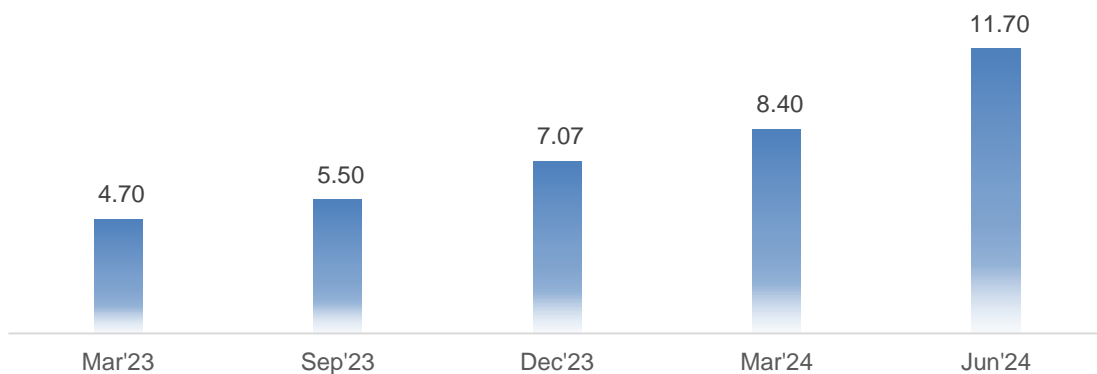
Number of Schemes





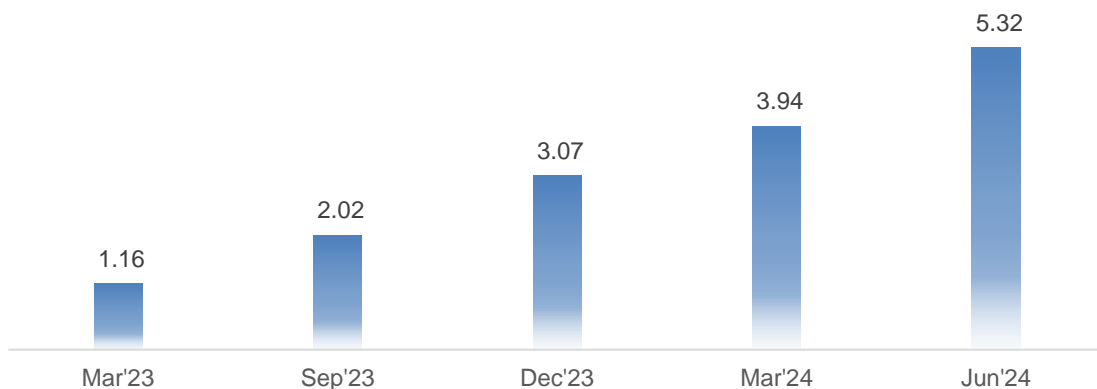
3. Further as can be seen from the graph below, the cumulative commitments have increased from USD 4.7 Bn by the end of March 2023 to USD 8.4 Bn by the end of March 2024 reflecting a growth of ~79% during the year. Further, in the previous quarter (Q1 of FY 2024-25), the commitments have increased by USD 3.3 Bn indicating a growth of ~39% over the previous quarter.

CUMULATIVE COMMITMENTS RAISED (USD BN)



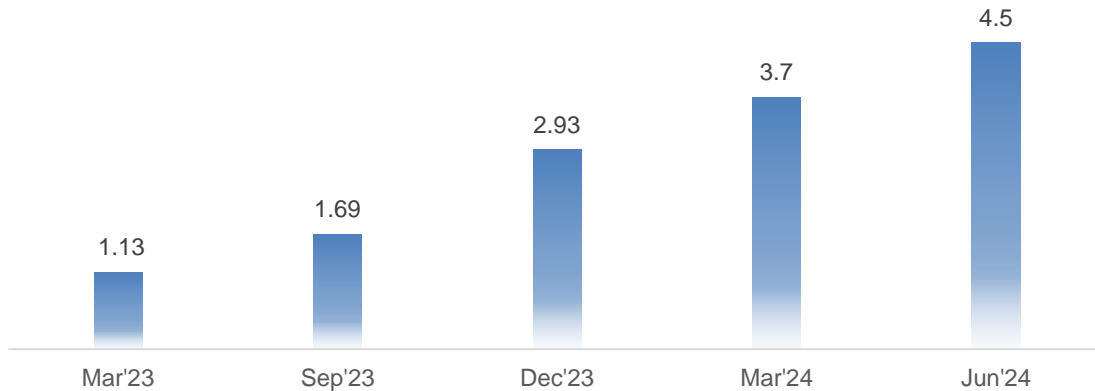
4. In line with the commitments, the funds raised and investments made have also grown by ~240% and 236%, respectively, during the previous year and by ~35% and 18%, respectively, during the previous quarter.

CUMULATIVE FUNDS RAISED (USD BN)





CUMULATIVE INVESTMENTS MADE (USD BN)



5. The number of **investors in IFSC funds stands at 1533** at the end of June 2024. Investors such as Sovereign Wealth Funds, Pension Funds, Endowment Funds, University Funds, large Family Offices, etc. have invested in IFSC Funds which shows the rising acceptance of GIFT-IFSC as a jurisdiction for domiciling funds amongst the investor community. Further, the Funds in IFSC have made **investments into 488 companies** as at the end of June 2024, rising from 106 in March 2023.
6. Due to the nascent stage of the industry, most of the FMEs (~89%) are currently managing assets in the range of USD 0-100 Million. However, with rising acceptance of GIFT-IFSC as a financial jurisdiction amongst the investors, robustness of the regulatory architecture, competitiveness of the tax framework and overall lower cost of operations, FMEs are gaining confidence in expanding their business as well as relocating their existing schemes from other jurisdictions to GIFT-IFSC. **As on June 30, 2024, 1 (one) FME has crossed the AUM of USD 1 Bn, while there are 2 more which are in the range of USD 900 Mn – 1 Bn.**
7. Of the 143 schemes in IFSC as on June 30, 2024, there are **85 schemes which are close-ended in nature and 58 which are open-ended**. It may be noted that while Category I and II Restricted Schemes, Venture Capital Schemes/Angel



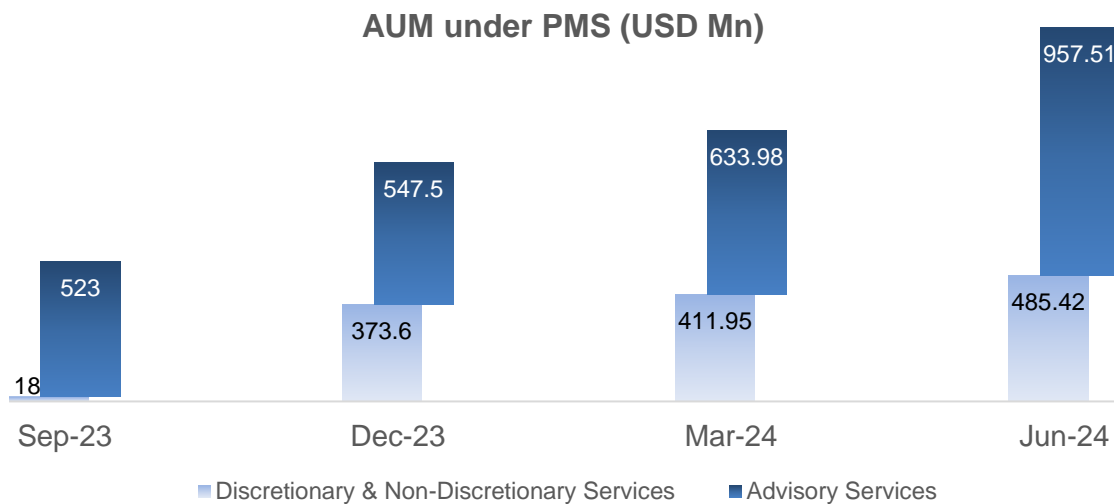
Schemes are required to be only close-ended, Restricted Schemes which are under Category III, may be open-ended or close-ended.

8. As one of the leading hubs for startups, India requires substantial global investments into the **startup ecosystem**, right from the angel stage to the advanced stages. Accordingly, in order to facilitate investments into startups, the FM Regulations provide specific scheme categories – Venture Capital Scheme and Angel Scheme, which are relatively lighter-touch in their regulatory requirements and endeavour to provide a regulated medium for the investors to channel their investments into startups. **As on June 30, 2024, there are 7 Venture Capital Schemes and 4 Angel Schemes in IFSC, which have invested in 45 start-ups.** The detailed drill-down of the data for all type of schemes is given below, which reveals a notable growth trajectory for each category of funds, underscoring the expanding scale of fund management activities in the IFSC.

Category of Funds	March 2023	September 2023	December 2023	March 2024	June 2024
Number of schemes – Category-wise					
Venture Capital & Angel Scheme	3	7	9	11	11
Category I and II Restricted Scheme	24	32	36	41	49
Category III Restricted Scheme	23	29	50	68	83
Total	50	68	95	120	143
AUM of schemes – Category-wise (USD Million)					
Venture Capital & Angel Scheme	3.96	12.35	24.13	28.06	29.39
Category I and II Restricted Scheme	1,083.77	1,746.00	2,222.46	2,617.90	3,098.13
Category III Restricted Scheme	77.50	264.92	826.88	1,302.06	2,191.58
Total	1,165.23	2,023.27	3,073.47	3,948.02	5,319.10



9. As the FM Regulations are intended to provide a unified regulatory regime for all types of fund management activities in IFSC, the provisions pertaining to Portfolio Management Services (PMS), which were earlier a part of IFSCA (Capital Market Intermediaries) Regulations, 2021, have been incorporated in the FM Regulations. Registered FMEs are permitted to offer PMS to their clients without having to obtain a separate registration for the same. At the end of June 2024, there are 19 FMEs offering PMS to their clients. While the AUM under discretionary and non-discretionary PMS stands at USD 957.57 Mn, assets under advisory stand at USD 485.42 Mn. Brief of the PMS activities in IFSC and their trend of growth is depicted below:



(End of Annexure 1)



Annexure 2

Proposals for Amendments to IFSCA (Fund Management) Regulations, 2022

#	Existing Regulation	Proposed Regulation <i>(Underlined text indicates proposed insertion and struck-through text indicates proposed omission)</i>	Brief rationale, Data point, Global benchmarks, where applicable	Amendment Type
CHAPTER I PRELIMINARY				
1.	2(1)(q) “fund manager” means any individual who is appointed by the FME to manage its investments by whatever name called;	2(1)(q) “fund manager” means any individual who is appointed by the FME to manage its investments by whatever name called;	Amendment is proposed to address a typographical error	<i>Clarification</i>
CHAPTER I REGISTRATION OF FUND MANAGEMENT ENTITY (FME)				
2.	3(4)(a) Authorised FME: The FMEs that pool money from accredited investors or investors investing above the specified threshold by way of private placement and invest in start-ups or early-stage ventures through Venture Capital Scheme. Family	3(4)(a) Authorised FME: The FMEs that pool money from accredited investors or investors investing above the specified threshold by way of private placement and invest in start-ups or early-stage ventures through Venture Capital Scheme. <u>A FME set-up by a single family to create or manage their Family Investment Fund</u> for investing in	Amendment is proposed to provide clarity for a scenario where the family sets up separate management entity and investment vehicle(s).	<i>Clarification</i>



#	Existing Regulation	Proposed Regulation <i>(Underlined text indicates proposed insertion and struck-through text indicates proposed omission)</i>	Brief rationale, Data point, Global benchmarks, where applicable	Amendment Type
	Investment Fund investing in securities, financial products and such other permitted asset classes shall also seek registration as an Authorised FME.	securities, financial products and such other permitted asset classes shall also seek registration as an Authorised FME.		
3.	<p>7 (1) The applicant shall designate a principal officer who shall be responsible for overall activities of the FME including but not limited to fund management, risk management and compliance.</p> <p>(2) In case of Registered FME, in addition to the above, one (1) additional KMP shall be designated as Compliance and Risk Manager and shall be responsible for compliance with these regulations and ensure suitable risk management policies and practices at the FME.</p> <p>(3) In case of Registered FME (Retail), in addition to sub-regulations (1) and (2) above, the</p>	<p>7 (1) The applicant shall designate a principal officer who shall be responsible for overall activities of the FME including but not limited to fund management, risk management and compliance.</p> <p>(2) In case of Registered FME, in addition to the above, one (1) additional KMP shall be designated as Compliance and Risk Manager and shall be responsible for compliance with these regulations and ensure suitable risk management policies and practices at the FME.</p> <p>(3) In case of Registered FME (Retail) <u>and other FMEs that are managing an AUM of at least USD 1 Billion as at the close of a financial year</u>, in addition to sub-regulations (1) and (2) above, the FME shall appoint an additional</p>	<p>In the comments received during public consultation as well as during several interactions with market participants, it has been suggested to simplify and widen the eligibility criteria of the KMPs to enable a wider set of people to man the position of KMPs in the FMEs. In view of the same, the amendments are proposed to broaden the eligibility criteria.</p> <p>In order to allow effective utilization of resources and rationalize the cost of operations for Registered FME (Retail), it is proposed that the requirement of the 3rd KMP may be made applicable in the event of launching retail-oriented products in IFSC.</p>	<p><i>EoDB</i> + <i>Safeguard</i></p>



#	Existing Regulation	Proposed Regulation <i>(Underlined text indicates proposed insertion and struck-through text indicates proposed omission)</i>	Brief rationale, Data point, Global benchmarks, where applicable	Amendment Type
	<p>FME shall appoint an additional KMP who shall be designated with the responsibility of fund management.</p> <p>(4). The applicant shall ensure that the aforementioned principal officer and other KMPs provided under sub-regulations (2) and (3) shall be based out of IFSC and meet the following experience:</p> <p>(a) A professional qualification or post-graduate degree or post graduate diploma (minimum two years in duration) in finance, law, accountancy, business management, commerce, economics, capital market, banking, insurance or actuarial science from a university or an institution recognised by the Central Government or any State Government or a recognised</p>	<p>KMP who shall be designated with the responsibility of fund management.</p> <p><u>Provided that such additional KMP may be appointed before filing of the retail schemes or ETFs in case of Registered FME (Retail) and within 3 months from the close of the financial year in case of FMEs that are managing AUM of at least USD 1 Billion as at the close of a financial year.</u></p> <p>(4). The applicant shall ensure that the aforementioned principal officer and other KMPs provided under sub-regulations (2) and (3) shall be based out of IFSC and meet the following experience:</p> <p>(a) A professional qualification or post-graduate degree or post graduate diploma (minimum two years <u>one year</u> in duration) in finance, law, accountancy, business management, commerce, economics, capital market, banking, insurance or actuarial science from a university or an institution</p>	<p>As per the reports received from FMEs for the quarter ending on June 30, 2024, there are 6 FMEs under the category of Registered FME (Retail). However, none of these FMEs have launched any retail-oriented products in IFSC.</p> <p>Given the pace of growth of AUM under the FMEs in IFSC, it is proposed to enhance the minimum manpower requirement for the FMEs which reach a certain threshold of AUM, to ensure that there are sufficient number of people to address the heightened risks that emerge due to the rising size of the business operations. Further, as the threshold is proposed to be sufficiently high, small and medium sized FMEs are not likely to be affected by the proposed change.</p> <p>The amendment also intends to introduce the provision for certification requirement for employees of FMEs which may be specified by IFSCA at a later stage. This is to ensure</p>	



#	Existing Regulation	Proposed Regulation <i>(Underlined text indicates proposed insertion and struck-through text indicates proposed omission)</i>	Brief rationale, Data point, Global benchmarks, where applicable	Amendment Type
	<p>foreign university or institution or association; or a certification from any organization or institution or association or stock exchange which is recognised/ accredited by Authority or a regulator in India or Foreign Jurisdiction; and</p> <p>(b) An experience of at least five (5) years in related activities in the securities market or financial products including in a portfolio manager, broker dealer, investment advisor, wealth manager, research analyst or fund management.</p>	<p>recognised by the Central Government or any State Government or a recognised foreign university or institution or association <u>or a CFA or a FRM from Global Association of Risk Professionals;</u> or a certification from any organization or institution or association or stock exchange which is recognised/ accredited by Authority or a regulator in India or Foreign Jurisdiction; and</p> <p>(b) An experience of at least five (5) years in related activities in the securities market or financial products including in a portfolio manager, broker dealer, <u>investment banker,</u> investment advisor, wealth manager, research analyst, <u>credit rating agency</u> or fund management;</p> <p><u>Provided that for the KMP provided under sub-regulation (2), the experience as provided above shall be</u></p>	<p>that employees are updated with the regulations, recent changes and global best practices.</p> <p>Monetary Authority of Singapore mandates the Fund Management Companies¹⁵ (FMC) to appoint an adequate number of directors, relevant professionals and representatives, including a Chief Executive Officer. By and large, the minimum experience is expected to be 5 years and minimum manpower is also similar to the expectations laid out in IFSCA (Fund Management) Regulations 2022.</p>	

15 MAS Guidelines on Licensing, Registration and Conduct of Business for Fund Management Companies (URL - <https://shorturl.at/N7coP>)



#	Existing Regulation	Proposed Regulation <i>(Underlined text indicates proposed insertion and struck-through text indicates proposed omission)</i>	Brief rationale, Data point, Global benchmarks, where applicable	Amendment Type
		<p><u>required for a minimum period of 3 years if such KMP is a member of Institute of Company Secretaries of India or any institution equivalent thereto in a foreign jurisdiction and has experience in compliance or risk management in an entity regulated by a financial sector regulator or a listed company.</u></p> <p><u>(5) The employees of FMEs in IFSC shall undergo such certification(s) from such institution(s) as may be specified by the Authority.</u></p> <p><u><i>Explanation.</i> – Professional qualification shall include membership of Institute of Chartered Accountants of India, Institute of Company Secretaries of India, Institute of Cost Accountants of India or any institution equivalent thereto in a foreign jurisdiction. For the KMP provided under sub-regulation (2), professional qualification shall also include</u></p>		



#	Existing Regulation	Proposed Regulation <i>(Underlined text indicates proposed insertion and struck-through text indicates proposed omission)</i>	Brief rationale, Data point, Global benchmarks, where applicable	Amendment Type
		<u>Bachelor of Laws (LLB) from a university or an institution recognised by the Central Government or any State Government or a recognised foreign university or institution.</u>		
4.	<p>Fit and proper requirements 9(1). The applicant and its principal officer, directors/ partners/ designated partners, key managerial personnel and controlling shareholders shall be fit and proper persons, at all times.</p> <p>(2) For the purpose of sub-regulation (1), a person shall be deemed to be a fit and proper person if :-</p> <p>(a) such person has a record of fairness and integrity, including but not limited to-</p> <ul style="list-style-type: none"> (i) financial integrity; (ii) good reputation and character; and (iii) honesty. 	<p>Fit and proper requirements 9(1). The applicant and its principal officer, directors/ partners/ designated partners, key managerial personnel and controlling shareholders shall be fit and proper persons, at all times.</p> <p>(2) For the purpose of sub-regulation (1), a person shall be deemed to be a fit and proper person if :-</p> <p>(a) such person has a record of fairness and integrity, including but not limited to-</p> <ul style="list-style-type: none"> (i) financial integrity; (ii) good reputation and character; and (iii) honesty. <p>(b) such person has not incurred any of the following disqualifications –</p> <ul style="list-style-type: none"> (i) the person has been convicted by a court for any offence involving moral 	<p>The extant provisions for ‘fit and proper’ restrict an entity from being considered as a fit and proper person for 3 years after the validity of the order against such entity has expired. This would disqualify a person from being considered ‘fit and proper’ even beyond the period specified in the order, thereby, restricting it from engaging in the IFSC as a market participant under these regulations.</p> <p>Further, as per the extant criteria, a person upon being convicted by a court for an economic offence or any offence against securities laws becomes permanently disqualified from being considered as ‘fit and proper’ person, thereby permanently debaring that person from engaging in the</p>	EoDB



#	Existing Regulation	Proposed Regulation <i>(Underlined text indicates proposed insertion and struck-through text indicates proposed omission)</i>	Brief rationale, Data point, Global benchmarks, where applicable	Amendment Type
	<p>(b) such person has not incurred any of the following disqualifications –</p> <p>(i) the person has been convicted by a court for any offence involving moral turpitude or any economic offence or any offence against securities laws;</p> <p>(ii) a recovery proceeding has been initiated against the person by a financial regulatory authority and is pending;</p> <p>(iii) an order for winding up has been passed against the person for malfeasance;</p> <p>(iv) the person has been declared insolvent and not discharged;</p> <p>(v) an order, restraining, prohibiting or debarring the person from accessing or</p>	<p>turpitude or any economic offence or any offence against securities laws;</p> <p><u>(ia) charge sheet has been filed against such person by any enforcement agency in matters concerning economic offences and is pending;</u></p> <p>(ii) a recovery proceeding has been initiated against the person by a financial regulatory authority and is pending;</p> <p>(iii) an order for winding up has been passed against the person for malfeasance;</p> <p>(iv) the person has been declared insolvent and not discharged;</p> <p>(v) an order, restraining, prohibiting or debarring the person from accessing or dealing in financial products or financial services, has been passed by any regulatory authority, <u>in any matter concerning securities laws or financial markets</u> and a period of three years from the date of the expiry of the period</p>	<p>IFSC as a market participant under these regulations.</p> <p>The above provisions may lead to consequences on the market participants which are disproportionate to their acts of misconduct. Therefore, in order to rationalize the above provisions and bring them in line with the practice followed by SEBI, certain amendments have been proposed.</p>	



#	Existing Regulation	Proposed Regulation <i>(Underlined text indicates proposed insertion and struck-through text indicates proposed omission)</i>	Brief rationale, Data point, Global benchmarks, where applicable	Amendment Type
	<p>dealing in financial products or financial services, has been passed by any regulatory authority, and a period of three years from the date of the expiry of the period specified in the order has not elapsed;</p> <p>(vi) any other order against the person, which has a bearing on the securities market, has been passed by the Authority or any other regulatory authority, and a period of three years from the date of the order has not elapsed;</p> <p>(vii) the person has been found to be of unsound mind by a court of competent jurisdiction and the finding is in force;</p>	<p>specified in the order has not elapsed such order is in force;</p> <p><u>Provided that in case any person has been declared as not 'fit and proper person' by an order of a regulatory authority, such a person shall not be eligible to apply for registration during the period provided in the said order or for a period of five years from the date of effect of the order, if no such period is specified in the order.</u></p> <p>(vi) any other order against the person, which has a bearing on the securities market, has been passed by the Authority or any other regulatory authority, and a period of three years from the date of the order has not elapsed;</p> <p>(vii) the person has been found to be of unsound mind by a court of competent jurisdiction and the finding is in force;</p>		



#	Existing Regulation	Proposed Regulation <i>(Underlined text indicates proposed insertion and struck-through text indicates proposed omission)</i>	Brief rationale, Data point, Global benchmarks, where applicable	Amendment Type
	(viii) the person is financially not sound or has been categorized as a wilful defaulter; (ix) the person has been declared a fugitive economic offender; or (x) any other disqualification as may be specified by the Authority.	(viii) the person is financially not sound or has been categorized as a wilful defaulter; (ix) the person has been declared a fugitive economic offender; or (x) any other disqualification as may be specified by the Authority.		
5.	17(4) A FME intending to launch retail schemes shall take prior approval of the Authority for appointing any person as a fiduciary.	<Omission proposed>	As the regulations already mandate 'Fit and Proper' requirement for fiduciaries and also provides a code of conduct for them, the requirement to take prior approval from IFSCA regarding their appointment is proposed to be done away with.	<i>EoDB</i>
CHAPTER III SCHEMES FOR FUND MANAGEMENT PART A: VENTURE CAPITAL SCHEMES				
6.	18 (1) Venture Capital Schemes are schemes that can be launched by the FMEs that invests primarily in unlisted securities of start-ups,	18 (1) Venture Capital Schemes are schemes that can be launched by the FMEs that invests <u>invest</u> primarily in unlisted securities of start-ups, emerging or early-stage venture capital	Amendment proposed to make the drafting better and improve readability.	<i>Clarification</i>



#	Existing Regulation	Proposed Regulation <i>(Underlined text indicates proposed insertion and struck-through text indicates proposed omission)</i>	Brief rationale, Data point, Global benchmarks, where applicable	Amendment Type
	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.	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.		
7.	19(3). The validity of the placement memorandum for launch of the venture capital scheme shall be six (6) months from the date of filing with the Authority.	19(3). The validity of the placement memorandum for launch of the venture capital scheme shall be <u>valid for six (6) twelve (12)</u> months from the date of filing with the Authority, <u>during which period the FME shall declare the first close of the scheme by achieving at least the minimum size of corpus as per regulation 23(1), failing which it shall file the placement memorandum again with the Authority by paying the full fee as applicable for a fresh scheme.</u>	In the comments received during public consultation as well as during several interactions with market participants, the period of validity of placement memorandum has been highlighted to be inadequate as FMEs generally need more time for operational set-up (PAN/GST registration, roadshows and investor outreach, KYC/Customer Due Diligence, etc.) before they can accept contribution/commitment from investors. Due to the present time limit of 6 months, fund managers who are not able to launch schemes within this period are required to	EoDB



#	Existing Regulation	Proposed Regulation <i>(Underlined text indicates proposed insertion and struck-through text indicates proposed omission)</i>	Brief rationale, Data point, Global benchmarks, where applicable	Amendment Type
			<p>refile their documents with IFSCA and pay fee to extend the validity of schemes by another 6 months. This causes operational hassle for the FMEs. Therefore, in order to bring ease of operations to FMEs, amendments have been proposed.</p> <p>Further, it is noted that SEBI AIF Regulations prescribe a timeline of 12 months for first close of the scheme, failing which AIF is required to file a fresh application with SEBI by paying full fee as applicable on filing of a new scheme.</p>	
8.	<p>20(1). Venture Capital schemes shall have less than fifty (50) investors.</p> <p>(2) Accredited Investors or investors investing above USD 250,000 shall be permitted to invest in such schemes: <i>Provided</i> that in case of investors who are employees or directors or designated partners/ partners of the</p>	<p>20(1). Venture Capital schemes shall <u>not</u> have less <u>more</u> than fifty (50) investors.</p> <p>(2) Accredited Investors or investors investing <u>above at least</u> USD 250,000 shall be permitted to invest in such schemes: <i>Provided</i> that in case of investors who are employees or directors or designated partners/ partners of the FME, the minimum value of investment shall be USD 60,000:</p>	<p>Clarity regarding the following aspects related to Venture Capital Scheme is proposed:</p> <ul style="list-style-type: none"> • minimum number of investors in a scheme • minimum investment from a non-accredited investor • minimum investment requirement (of USD 250,000 for a non-employee/director and USD 60,000 for 	<p><i>Clarification + EoDB</i></p>



#	Existing Regulation	Proposed Regulation <i>(Underlined text indicates proposed insertion and struck-through text indicates proposed omission)</i>	Brief rationale, Data point, Global benchmarks, where applicable	Amendment Type
	<p>FME, the minimum value of investment shall be USD 60,000:</p> <p><i>Provided further</i> that the minimum investment threshold shall not apply to an accredited investor and employees or directors or designated partners or partners of the FME.</p>	<p><i>Provided</i> further that the minimum investment threshold shall not apply to an accredited investor and employees or directors or designated partners or partners of the FME.</p> <p><u><i>Provided</i> further that a FME may accept investments in a Venture Capital scheme from multiple investors acting together as joint investors, wherein each such investor shall invest at least the minimum applicable investment amount.</u></p> <p><u><i>Provided</i> further that the following individuals, not more than 2, when act as joint investor, the aggregate investment by such individuals shall be at least USD 250,000:</u></p> <p><u>(i) An investor and his/her spouse</u> <u>(ii) An investor and his/her parent</u> <u>(iii) An investor and his/her daughter/son</u></p>	<p>an employee /director of FME) shall not apply when such investor is an accredited investor.</p> <p>Further, the concept of joint investors, has also been proposed to be incorporated for Venture Capital Schemes. This is expected to enable more investors to participate in these schemes.</p>	
9.	<p>Permissible investments</p> <p>22. (1) Subject to other provisions of these regulations, a venture capital scheme may invest</p>	<p>Permissible investments</p> <p>22. (1) Subject to other provisions of these regulations, a venture capital scheme may invest moneys collected under any of its</p>	<p>For abundant clarity regarding the jurisdictions in which the investments can be made by a Venture Capital Scheme, the suggested change is proposed.</p>	<p><i>Clarification + EoDB</i></p>



#	Existing Regulation	Proposed Regulation <i>(Underlined text indicates proposed insertion and struck-through text indicates proposed omission)</i>	Brief rationale, Data point, Global benchmarks, where applicable	Amendment Type
	<p>moneys collected under any of its schemes only in:-</p> <p>(a) Securities issued by unlisted entities;</p> <p>(b) Securities listed or to be listed or traded on stock exchanges in IFSC, India or foreign jurisdiction;</p> <p>(c) Money market instruments;</p> <p>(d) Debt securities;</p> <p>(e) Securitised debt instruments, which are either asset backed or mortgage-backed securities;</p> <p>(f) Other venture capital schemes set up in the IFSC, India and foreign jurisdiction subject to appropriate disclosure in the placement memorandum;</p> <p>(g) Units of mutual funds and alternative investment funds in India, IFSC or foreign jurisdiction;</p> <p>(h) Investment in limited liability partnerships; or</p>	<p>schemes only in <u>the following in IFSC, India or foreign jurisdictions</u>:-</p> <p>(a) <u>Unlisted securities issued by unlisted entities</u>;</p> <p>(b) Securities listed or to be listed or traded on stock exchanges in IFSC, India or foreign jurisdiction;</p> <p>(c) Money market instruments;</p> <p>(d) Debt securities;</p> <p>(e) Securitised debt instruments, which are either asset backed or mortgage-backed securities;</p> <p>(f) Other venture capital schemes set up in the IFSC, India and foreign jurisdiction subject to appropriate disclosure in the placement memorandum;</p> <p>(g) Units of mutual funds and alternative investment funds in India, IFSC or foreign jurisdiction;</p> <p>(h) Investment in limited liability partnerships; or</p>	<p>Further, in the comments received during public consultation as well as during several interactions with market participants, it has been suggested to allow them to temporary park funds in bank deposits pending deployment as per the investment objectives as generally permitted in various jurisdictions. Therefore, the same is now being proposed to be included.</p>	



#	Existing Regulation	Proposed Regulation <i>(Underlined text indicates proposed insertion and struck-through text indicates proposed omission)</i>	Brief rationale, Data point, Global benchmarks, where applicable	Amendment Type
	<p>(i) Such other securities or financial products/ assets or instruments as specified by the Authority:</p> <p>Provided that pending deployment of money, FME may invest money in certificate of deposits, units of investment schemes such as liquid or money market schemes, money market instruments or any other securities or financial assets or instruments as may be specified by the Authority.</p>	<p>(i) Such other securities or financial products/ assets or instruments as specified by the Authority:</p> <p><i>Provided</i> that pending deployment of money, FME may invest money in certificate <u>certificates</u> of deposits <u>deposit</u>, units of investment schemes such as liquid or money market schemes, money market instruments, <u>bank deposits</u> or any other securities or financial assets or instruments as may be specified by the Authority.</p>		
10	<p>23 (1) The minimum size of the corpus in case of venture capital schemes shall be USD 5 Million. The total corpus of venture capital schemes shall not exceed USD 200 Million.</p> <p>(2) Venture capital scheme may invest in its associate subject to the prior approval of seventy-five</p>	<p>23 (1) The minimum size of the corpus in case of venture capital schemes shall be USD 5 <u>3</u> Million. The total corpus of venture capital schemes shall not exceed USD 200 Million.</p> <p>(2) Venture capital scheme may invest in its associate subject to the prior approval of seventy-five percent (75%) investors in the scheme by value.</p>	<p>In the comments received during public consultation as well as during several interactions with market participants, the minimum scheme size has been highlighted as a hinderance for launching schemes in IFSC. Due to this restriction, several fund managers who plan to launch small sized schemes are detracted from opting IFSC as their base.</p>	<p><i>EoDB</i> + <i>Safeguard</i></p>



#	Existing Regulation	Proposed Regulation <i>(Underlined text indicates proposed insertion and struck-through text indicates proposed omission)</i>	Brief rationale, Data point, Global benchmarks, where applicable	Amendment Type
	<p>percent (75%) investors in the scheme by value.</p> <p>(3). Venture capital schemes shall invest at least 80 percent of the AUM in investee companies incorporated for less than ten (10) years or other venture capital schemes.</p>	<p>(3). Venture capital schemes shall invest at least 80 percent of the AUM corpus in investee companies incorporated for less than ten (10) years or other venture capital schemes.</p> <p><u>(4) 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 percent (50%) of the corpus of the scheme, unless prior approval has been obtained from seventy-five percent (75%) investors in the scheme by value.</u></p> <p><u>Provided that while obtaining approval of the investors, the investor specified under sub-regulation 4 who has committed to invest at least fifty percent of the corpus of the scheme and is buying or selling the investment, from or to, the scheme, shall be excluded from the voting process.</u></p>	<p>Further, it is noted that SEBI AIF Regulations prescribe minimum scheme size at INR 20 Crore (~USD 2.5 Mn) and prior to notification of IFSCA (Fund Management) Regulations, 2022, the above was applicable for IFSC AIFs as the minimum scheme size.</p> <p>Further, Singapore exempts such CIS from the prospectus requirements which intend to raise SGD 5 million (~USD 3.7 million) within 12 months.</p> <p>Since AUM is based on valuation of the underlying assets, this may fluctuate frequently, thereby, making it difficult for FMEs to ensure compliance with the requirement of 80% investments in a specific type of companies. On the other hand, corpus is a static number. Therefore, FMEs may find it more feasible to comply with the requirement.</p>	



#	Existing Regulation	Proposed Regulation <i>(Underlined text indicates proposed insertion and struck-through text indicates proposed omission)</i>	Brief rationale, Data point, Global benchmarks, where applicable	Amendment Type
			In order to prevent inter-scheme transfers or transfer of securities with the FME/ its associates or major investors in the schemes, which may be detrimental to the interests of the investors of the scheme, a safeguard has been proposed to be incorporated. It is noted that similar such safeguard also exists for SEBI AIFs.	
11	24(2) The FME shall ensure that the portfolio under the scheme and Net Asset Value (NAV) is disclosed to the investors at least on a yearly basis.	24(2) The FME shall ensure that the portfolio under the scheme and Net Asset Value (NAV) is disclosed to the investors at least on a yearly basis <u>within 30 days from the end of half-year.</u>	While the frequency of NAV and portfolio disclosure was provided, a timeline for such disclosure is required for complete clarity. Therefore, the timelines are proposed to be inserted to provide for timely disclosures to the investors.	<i>Clarification + Safeguard</i>
12	Borrowing 25. A venture capital scheme may borrow funds or engage in leveraging activities, subject to the following conditions:- (a)... (b)...	Borrowing 25. A venture capital scheme may borrow funds or engage in leveraging activities, subject to the following conditions:- (a)... (b)... (c) The FME employing <u>intending to employ</u> leverage shall have a comprehensive risk	Amendment proposed to clarify the requirement of a comprehensive risk management framework.	<i>Clarification</i>



#	Existing Regulation	Proposed Regulation <i>(Underlined text indicates proposed insertion and struck-through text indicates proposed omission)</i>	Brief rationale, Data point, Global benchmarks, where applicable	Amendment Type
	(c) The FME employing leverage shall have a comprehensive risk management framework appropriate to the size, complexity and risk profile of the scheme.	management framework appropriate to the size, complexity and risk profile of the scheme.		
13	26 (2). In line with the investment valuation norms, the assets of the scheme may be valued by an independent third-party service provider, such as a fund administrator or custodian, registered with the Authority, a valuer registered with Insolvency and Bankruptcy Board of India or such other person as may be specified by the Authority.	26 (2). In line with the investment valuation norms, the assets of the scheme may <u>shall</u> be valued by an independent third-party service provider, such as a fund administrator or custodian, registered with the Authority, a valuer registered with Insolvency and Bankruptcy Board of India or such other person as may be specified by the Authority. <u>Provided that the above requirement shall not apply in case of a fund of funds scheme investing in regulated scheme(s) which are valued by any independent third-party service provider.</u>	Fund of funds schemes typically rely on the valuation of assets undertaken by the master fund. If the valuation at the master fund level is carried out by an independent third-party service provider, this obviates the need for the FME to carry out the valuation again for fund of funds scheme. Therefore, an enabling provision to provide this flexibility is proposed to be inserted.	EoDB
14	28(1). The FME shall ensure that under a venture capital scheme, the FME or its associate shall invest:-	28(1). The FME shall ensure that under a venture capital scheme, the FME or its associate shall invest:-	In select cases where the apprehensions of round-tripping are reduced, enhanced contribution from the FME / its associates is	Clarification + EoDB +



#	Existing Regulation	Proposed Regulation <i>(Underlined text indicates proposed insertion and struck-through text indicates proposed omission)</i>	Brief rationale, Data point, Global benchmarks, where applicable	Amendment Type
	<p>(a) at least 2.5% of the targeted corpus and not exceeding 10% of the targeted corpus in a scheme with targeted corpus of less than USD 30 Million;</p> <p>(b) 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:</p> <p>Provided that the contribution by the FME shall not be mandatory in case of relocation of schemes established or incorporated or registered outside India to IFSC.</p>	<p>(a) at least 2.5% of the targeted corpus and not exceeding 10% of the targeted corpus in a scheme with targeted corpus of less than <u>up to</u> USD 30 Million;</p> <p>(b) 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:</p> <p><i>Provided</i> that the contribution by the FME shall not be mandatory in case of relocation of schemes established or incorporated or registered outside India to IFSC.</p> <p><u><i>Provided further that the ceiling of 10% shall not apply for Venture Capital schemes when:</i></u></p> <p><u>(i) the FME and its associate, wherever applicable, are not Indian resident and do not have any Indian resident as their ultimate beneficial owners; and</u></p> <p><u>(ii) not more than 33% of the corpus shall be invested in an investee company and associates of such company.</u></p>	<p>proposed to be permitted, subject to additional safeguards.</p> <p>Further, in order to provide clarity regarding the scenario where exactly USD 30 million is the targeted corpus, minor change in the language is proposed.</p>	<p><i>Safeguard</i></p>



#	Existing Regulation	Proposed Regulation <i>(Underlined text indicates proposed insertion and struck-through text indicates proposed omission)</i>	Brief rationale, Data point, Global benchmarks, where applicable	Amendment Type
CHAPTER III SCHEMES FOR FUND MANAGEMENT PART B: RESTRICTED SCHEMES (NON-RETAIL SCHEMES)				
15	<p>31(1) A Registered FMEs may launch restricted schemes through a private placement by filing the placement memorandum with the Authority along with the application fees as specified by the Authority before twenty-one (21) working days of launch of the scheme.</p> <p>(2) The Authority may endeavor to communicate its comments, if any, to the FME within twenty-one (21) working days of receipt of satisfactory response and the FME shall ensure that the comments are duly incorporated in the placement memorandum prior to launch of the scheme.</p>	<p>31(1) A Registered FMEs may launch restricted schemes through a private placement by filing the placement memorandum with the Authority along with the application fees as specified by the Authority before twenty-one (21) working days of launch of the scheme <u>in the manner as specified by the Authority in this regard.</u></p> <p>(2) The Authority may endeavor to communicate its comments, if any, to the FME within twenty-one (21) working days of receipt of satisfactory response and the FME shall ensure that the comments are duly incorporated in the placement memorandum prior to launch of the scheme.</p> <p><i>Provided that the validity of the placement memorandum for launch of the scheme shall be <u>valid for six (6) twelve (12)</u> months from the</i></p>	<p>IFSCA has vide Circular dated April 05, 2024 relaxed the mechanism for scheme filing with the Authority to bring in enhanced ease of doing business for the FMEs. Amendments are proposed to align the provisions of the FM Regulations with that of the Circular.</p> <p>In the comments received during public consultation as well as during several interactions with market participants, the period of validity of placement memorandum has been highlighted to be inadequate as FMEs generally need more time for operational set-up (PAN/GST registration, roadshows and investor outreach, KYC/Customer Due Diligence, etc.) before it can accept contribution/commitment from investors. Due to the present time limit of 6</p>	EoDB



#	Existing Regulation	Proposed Regulation <i>(Underlined text indicates proposed insertion and struck-through text indicates proposed omission)</i>	Brief rationale, Data point, Global benchmarks, where applicable	Amendment Type
	<p><i>Provided</i> that the validity of the placement memorandum for launch of the scheme shall be six (6) months from the date of filing with the Authority or the date of observation letter of Authority, whichever is later.</p>	<p>date of filing with the Authority or the date of observation letter of Authority, whichever is later, <u>during which period the FME shall declare the first close of the scheme by achieving at least the minimum size of corpus as per regulation 35(2), failing which it shall file the placement memorandum again with the Authority by paying the full fee as applicable for a fresh scheme.</u></p>	<p>months, fund managers who are not able to launch schemes within this period are required to refile their documents with IFSCA and also have to pay fee to extend the validity of schemes by another 6 months. This causes operational hassle for the FMEs. Therefore, in order to bring ease of operations to FMEs, amendments have been proposed.</p> <p>Further, it is noted that SEBI AIF Regulations prescribe a timeline of 12 months for first close of the scheme, failing which AIF is required to file a fresh application with SEBI by paying full fee as applicable on filing of a new scheme.</p>	
16	<p>Eligible Investors 32. (1) Restricted schemes shall have less than one thousand (1000) investors or such number as may be specified by the Authority.</p>	<p>Eligible Investors 32. (1) Restricted schemes shall <u>not</u> have less <u>more</u> than one thousand (1000) investors or such number as may be specified by the Authority.</p>	<p>Clarity regarding the following aspects related to Restricted Scheme is proposed:</p> <ul style="list-style-type: none"> • minimum number of investors in a scheme • minimum investment from a non-accredited investor 	<p><i>Clarification + EoDB</i></p>



#	Existing Regulation	Proposed Regulation <i>(Underlined text indicates proposed insertion and struck-through text indicates proposed omission)</i>	Brief rationale, Data point, Global benchmarks, where applicable	Amendment Type
	<p>(2) Accredited Investors or investors investing above USD 150,000 may invest in such schemes: <i>Provided</i> that in case of investors who are employees or directors or designated partners or partners of the FME, the minimum value of investment shall be USD 40,000: <i>Provided further</i> that the minimum investment threshold shall not apply to an accredited investor and employees or directors or designated partners or partners of the FME.</p>	<p>(2) Accredited Investors or investors investing <u>above at least</u> USD 150,000 may invest in such schemes: <i>Provided</i> that in case of investors who are employees or directors or designated partners or partners of the FME, the minimum value of investment shall be USD 40,000: <i>Provided further</i> that the minimum investment threshold shall not apply to an accredited investor and employees or directors or designated partners or partners of the FME. <u><i>Provided further</i> that a FME may accept investments in a Restricted scheme from multiple investors acting together as joint investors, wherein each such investor shall invest at least the minimum applicable investment amount.</u> <u><i>Provided further</i> that the following individuals, not more than 2, when act as joint investor, the aggregate investment by such individuals shall be at least USD 150,000:</u> <u>(i) An investor and his/her spouse</u> <u>(ii) An investor and his/her parent</u></p>	<ul style="list-style-type: none"> • minimum investment requirement (of USD 150,000 for a non-employee/director and USD 60,000 for an employee /director of FME) shall not apply when such investor is an accredited investor. <p>Further, the concept of joint investors, in line with SEBI AIF Regulations, has also been proposed to be incorporated for Restricted Schemes. This is expected to enable more investors to participate in these schemes.</p>	



#	Existing Regulation	Proposed Regulation <i>(Underlined text indicates proposed insertion and struck-through text indicates proposed omission)</i>	Brief rationale, Data point, Global benchmarks, where applicable	Amendment Type
		<u>(iii) An investor and his/her daughter/son</u>		
17	<p>Permissible investments</p> <p>34. (1) Subject to other provisions of these regulations, a restricted scheme may invest moneys collected under any of its schemes only in:-</p> <p>(a) Securities issued by unlisted entities;</p> <p>(b) Securities listed or to be listed or traded on stock exchanges in IFSC, India or foreign jurisdiction;</p> <p>(c) Money market instruments;</p> <p>(d) Debt securities;</p> <p>(e) Securitised debt instruments, which are either asset backed or mortgage-backed securities;</p> <p>(f) Other investment schemes set up in the IFSC, India and foreign jurisdiction subject to appropriate disclosure in the placement memorandum;</p>	<p>Permissible investments</p> <p>34. (1) Subject to other provisions of these regulations, a restricted scheme may invest moneys collected under any of its schemes only in <u>the following in IFSC, India or foreign jurisdictions:-</u></p> <p>(a) <u>Unlisted</u> securities issued by unlisted entities;</p> <p>(b) Securities listed or to be listed or traded on stock exchanges in IFSC, India or foreign jurisdiction;</p> <p>(c) Money market instruments;</p> <p>(d) Debt securities;</p> <p>(e) Securitised debt instruments, which are either asset backed or mortgage-backed securities;</p> <p>(f) Other investment schemes set up in the IFSC, India and foreign jurisdiction subject to appropriate disclosure in the placement memorandum;</p>	<p>For abundant clarity regarding the jurisdictions in which the investments can be made by a Restricted Scheme, the suggested change is proposed.</p> <p>Further, in the comments received during public consultation as well as during several interactions with market participants, it has been suggested to allow them to temporary park funds in bank deposits pending deployment as per the investment objectives. Therefore, the same is now being proposed to be included. It is noted that this is also permitted under SEBI AIF Regulations.</p>	<p><i>Clarification + EoDB</i></p>



#	Existing Regulation	Proposed Regulation <i>(Underlined text indicates proposed insertion and struck-through text indicates proposed omission)</i>	Brief rationale, Data point, Global benchmarks, where applicable	Amendment Type
	<p>(g) Derivatives including commodity derivatives subject to suitable disclosures in the placement memorandum;</p> <p>(h) Units of mutual funds and alternative investment funds in India and foreign jurisdiction;</p> <p>(i) Investment in limited liability partnerships; or</p> <p>(j) Such other securities or financial products/assets or instruments as specified by the Authority:</p> <p><i>Provided</i> that pending deployment of money, FME may invest money in certificate of deposits, units of investment schemes such as liquid or money market schemes, money market instruments or any other securities or financial assets or instruments as may be specified by the Authority.</p>	<p>(g) Derivatives including commodity derivatives subject to suitable disclosures in the placement memorandum;</p> <p>(h) Units of mutual funds and alternative investment funds in India and foreign jurisdiction;</p> <p>(i) Investment in limited liability partnerships; or</p> <p>(j) Such other securities or financial products/assets or instruments as specified by the Authority:</p> <p><i>Provided</i> that pending deployment of money, FME may invest money in <u>certificate certificates</u> of deposits <u>deposit</u>, units of investment schemes such as liquid or money market schemes, money market instruments, <u>bank deposits</u> or any other securities or financial assets or instruments as may be specified by the Authority.</p>		



#	Existing Regulation	Proposed Regulation <i>(Underlined text indicates proposed insertion and struck-through text indicates proposed omission)</i>	Brief rationale, Data point, Global benchmarks, where applicable	Amendment Type
18	<p>35 (1) In case of an open ended scheme, the maximum investment in securities of unlisted companies should not exceed twenty- five percent (25%) of the corpus of the schemes.</p> <p>(2) The minimum size of the restricted schemes shall be USD 5 Million.</p> <p>(3) Restricted schemes may invest in its associate subject to the prior approval of seventy-five percent (75%) investors in the scheme by value.</p>	<p>35 (1) In case of an open ended scheme, the maximum investment in securities of unlisted companies should not exceed twenty-five percent (25%) of the corpus of the schemes. <u>Provided that in case of an open ended fund of fund scheme, this requirement shall not be applicable if such scheme is investing in other open ended scheme(s) which shall not have investment in securities of unlisted companies in excess of twenty-five percent (25%) of their corpus.</u></p> <p>(2) The minimum size of the restricted schemes shall be USD 5 3 Million.</p> <p>(3) Restricted schemes may invest in its associate subject to the prior approval of seventy-five percent (75%) investors in the scheme by value.</p> <p><u>(4) 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 percent (50%) of the corpus of the scheme, unless prior approval has been obtained from seventy-five</u></p>	<p>As open-ended Restricted schemes may also be fund of fund in nature, an exemption from the ceiling of their investments in unlisted securities needs to be provided so far as the underlying scheme meets this requirement.</p> <p>In the comments received during public consultation as well as during several interactions with market participants, the minimum scheme size has been highlighted as a hinderance for launching schemes in IFSC. Due to this restriction, several fund managers who plan to launch small sized schemes are detracted from opting IFSC as their base.</p> <p>Further, it is noted that SEBI AIF Regulations prescribe minimum scheme size at INR 20 Crore (~USD 2.5 Mn) and prior to notification of IFSCA (Fund Management) Regulations, 2022, the above</p>	<p><i>EoDB</i> + <i>Safeguard</i></p>



#	Existing Regulation	Proposed Regulation <i>(Underlined text indicates proposed insertion and struck-through text indicates proposed omission)</i>	Brief rationale, Data point, Global benchmarks, where applicable	Amendment Type
		<p><u>percent (75%) investors in the scheme by value.</u> <u>Provided that while obtaining approval of the investors, the investor specified under sub-regulation 4 who has committed to invest at least fifty percent of the corpus of the scheme and is buying or selling the investment, from or to, the scheme, shall be excluded from the voting process.</u> <u>(5) A Restricted scheme filed with the Authority as a Category I AIF, Category II AIF or Category III AIF shall invest in accordance with such conditions as may be specified by the Authority from time to time</u></p>	<p>was applicable for IFSC AIFs as the minimum scheme size.</p> <p>Singapore exempts such CIS from the prospectus requirements which intend to raise SGD 5 million (~USD 3.7 million) within 12 months.</p> <p>In order to prevent inter-scheme transfers or transfer of securities with the FME/ its associates or major investors in the schemes, which may be detrimental to the interests of the investors of the scheme, a safeguard has been proposed to be incorporated. It is noted that similar such safeguard also exists for SEBI AIFs.</p> <p>In order to provide ample clarity regarding the investment activities permitted under various categories of Restricted Schemes, an enabling provision is proposed so that IFSCA may separately issue the norms.</p>	



#	Existing Regulation	Proposed Regulation <i>(Underlined text indicates proposed insertion and struck-through text indicates proposed omission)</i>	Brief rationale, Data point, Global benchmarks, where applicable	Amendment Type
19	36 (3) The FME shall ensure that the NAV is disclosed to the investors at least on a monthly basis in case of an open ended scheme and half-yearly in case of a close ended scheme.	36 (3) The FME shall ensure that the NAV is disclosed to the investors at least on a monthly basis <u>within 15 days from the end of month</u> in case of an open ended scheme and half-yearly <u>within 30 days from the end of half-year</u> in case of a close ended scheme.	While the frequency of NAV disclosure was provided, a timeline for such disclosure is required for complete clarity. Therefore, the timelines are proposed to be inserted to provide for timely disclosures to the investors.	<i>Clarification + Safeguard</i>
20	Borrowing 37. A restricted scheme may borrow funds or engage in leveraging activities, subject to the following conditions:- (a)..... (b)..... (c) The FME employing leverage shall have a comprehensive risk management framework appropriate to the size, complexity and risk profile of the fund.	Borrowing 37. A restricted scheme may borrow funds or engage in leveraging activities, subject to the following conditions:- (a)..... (b)..... (c) The FME <u>intending to employ</u> employing leverage shall have a comprehensive risk management framework appropriate to the size, complexity and risk profile of the fund.	Amendment proposed to clarify the requirement of a comprehensive risk management framework.	<i>Clarification</i>
21	38 (2). In line with the investment valuation norms, the assets of the	38 (2). In line with the investment valuation norms, the assets of the scheme <u>shall</u> may be valued by an independent third-party service	Fund of funds schemes typically rely on the valuation of assets undertaken by the master fund. If the valuation at the master	<i>EoDB</i>



#	Existing Regulation	Proposed Regulation <i>(Underlined text indicates proposed insertion and struck-through text indicates proposed omission)</i>	Brief rationale, Data point, Global benchmarks, where applicable	Amendment Type
	scheme may be valued by an independent third-party service provider such as a fund administrator or custodian registered with the Authority, a valuer registered with Insolvency and Bankruptcy Board of India or such other person as may be specified by the Authority.	provider such as a fund administrator or custodian registered with the Authority, a valuer registered with Insolvency and Bankruptcy Board of India or such other person as may be specified by the Authority. <u>Provided that the above requirement shall not apply in case of a fund of funds scheme investing in regulated scheme(s) which are valued by any independent third-party service provider.</u>	fund level is carried out by an independent third-party service provider, this obviates the need for the FME to carry out the valuation again for fund of funds scheme. Therefore, an enabling provision to provide this flexibility is proposed to be inserted.	
22	40(1). The FME shall ensure that under a restricted scheme, the FME or its associate shall invest :- (a) In case of a close ended scheme, (i) at least 2.5% of the targeted corpus and not exceeding 10% of the targeted corpus in a scheme with targeted corpus of less than USD 30 Million; (ii) at least USD 750,000 and not exceeding 10% of the targeted	40(1). The FME shall ensure that under a restricted scheme, the FME or its associate shall invest :- (a) In case of a close ended scheme, (i) at least 2.5% of the targeted corpus and not exceeding 10% of the targeted corpus in a scheme with targeted corpus of less than <u>up to</u> USD 30 Million; (ii) 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 select cases where the apprehensions of round-tripping are reduced, enhanced contribution from the FME / its associates is proposed to be permitted, subject to additional safeguards. Further, in order to provide clarity regarding the scenario where exactly USD 30 million is the targeted corpus, minor change in the language is proposed.	<i>Clarification + EoDB</i>



#	Existing Regulation	Proposed Regulation <i>(Underlined text indicates proposed insertion and struck-through text indicates proposed omission)</i>	Brief rationale, Data point, Global benchmarks, where applicable	Amendment Type
	<p>corpus in a scheme with targeted corpus of more than USD 30 Million:</p> <p>(b) In case of open-ended scheme,</p> <p>(i) 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;</p> <p>(ii) 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:</p> <p><i>Provided</i> that the contribution by the FME shall not be mandatory in case of relocation of funds /schemes established or incorporated or registered outside India to IFSC.</p>	<p>(b) In case of open-ended scheme,</p> <p>(i) at least 5% of the targeted corpus and not exceeding 10% of the targeted corpus in a scheme with targeted corpus of less than <u>up to</u> USD 30 Million;</p> <p>(ii) 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:</p> <p><i>Provided</i> that the contribution by the FME shall not be mandatory in case of relocation of funds /schemes established or incorporated or registered outside India to IFSC.</p> <p><u><i>Provided</i> further that ceiling of 10% shall not apply for restricted schemes when:</u></p> <p><u>(i) the FME and its associate, wherever applicable, are not Indian resident and do not have any Indian resident as their ultimate beneficial owners; and</u></p> <p><u>(ii) not more than 33% of the corpus shall be invested in an investee company and associates of such company.</u></p>		



#	Existing Regulation	Proposed Regulation <i>(Underlined text indicates proposed insertion and struck-through text indicates proposed omission)</i>	Brief rationale, Data point, Global benchmarks, where applicable	Amendment Type
CHAPTER III SCHEMES FOR FUND MANAGEMENT PART C: RETAIL SCHEMES				
23	Permissible investments 46. (1) Subject to other provisions of these regulations, a retail scheme may invest moneys collected under any of its schemes only in:- (a) Securities listed or to be listed or traded on stock exchanges in IFSC, India or foreign jurisdictions; (b) Securities issued by unlisted entities; (c) Money market instruments; (d) Debt securities; (e) Securitised debt instruments, which are either asset backed or mortgage-backed securities; (f) Other investment schemes set up in the IFSC, India and foreign jurisdiction subject to appropriate disclosure in the offer documents;	Permissible investments 46. (1) Subject to other provisions of these regulations, a retail scheme may invest moneys collected under any of its schemes <u>only in the following in IFSC, India or foreign jurisdictions</u> :- (a) Securities listed or to be listed or traded on stock exchanges in IFSC, India or foreign jurisdictions ; (b) <u>Unlisted</u> securities issued by unlisted entities ; (c) Money market instruments; (d) Debt securities; (e) Securitised debt instruments, which are either asset backed or mortgage-backed securities; (f) Other investment schemes set up in the IFSC, India and foreign jurisdiction subject to appropriate disclosure in the offer documents;	For abundant clarity regarding the jurisdictions in which the investments can be made by a Retail Scheme, the suggested change is proposed. Further, to allow Retail Schemes to temporary park funds in bank deposits pending deployment as per the investment objectives, amendment is proposed.	<i>EoDB + Clarification</i>



#	Existing Regulation	Proposed Regulation <i>(Underlined text indicates proposed insertion and struck-through text indicates proposed omission)</i>	Brief rationale, Data point, Global benchmarks, where applicable	Amendment Type
	<p>(g) Derivatives including commodity derivatives only for the purpose of hedging subject to suitable disclosures in the offer document;</p> <p>(h) Units of mutual funds and alternative investment funds in India and foreign jurisdiction; or</p> <p>(i) Such other securities or financial products/ assets or instruments as specified by the Authority:</p> <p><i>Provided</i> that pending deployment of money, FME may invest money in certificate of deposits, units of investment schemes such as liquid or money market schemes, money market instruments or any other securities or financial assets or instruments as may be specified by the Authority.</p>	<p>(g) Derivatives including commodity derivatives only for the purpose of hedging subject to suitable disclosures in the offer document;</p> <p>(h) Units of mutual funds and alternative investment funds in India and foreign jurisdiction; or</p> <p>(i) Such other securities or financial products/ assets or instruments as specified by the Authority:</p> <p><i>Provided</i> that pending deployment of money, FME may invest money in <u>certificates of deposits</u> deposit, units of investment schemes such as liquid or money market schemes, money market instruments, <u>bank deposits</u> or any other securities or financial assets or instruments as may be specified by the Authority.</p>		
24	47 (5) Retail schemes shall not invest more than twenty-five percent (25%) of the AUM in its associate.	47 (5) Retail <u>Retail</u> schemes shall not invest more than twenty-five percent (25%) of the AUM in its associate.	In order to reduce the barrier of minimum scheme size and to make it more conducive for smaller schemes to be launched in IFSC,	<i>Clarification</i> + <i>EoDB</i>



#	Existing Regulation	Proposed Regulation <i>(Underlined text indicates proposed insertion and struck-through text indicates proposed omission)</i>	Brief rationale, Data point, Global benchmarks, where applicable	Amendment Type
	(6) The minimum size of the retail schemes shall be USD 5 Million.	(6) The minimum size of the retail schemes shall be USD 5 <u>3</u> Million.	<p>the minimum scheme size for retail schemes is proposed to be reduced to USD 3 Million (~25 Crore).</p> <p>It may be noted that the minimum corpus size prescribed for Mutual Funds under the applicable SEBI regulations is nearby the proposed threshold. Further, the threshold for Retail Scheme may also be aligned with the thresholds as proposed for the other type of schemes.</p>	
25	50 (2) In line with the investment valuation norms, the assets of the scheme may be valued by an independent third-party service provider such as a fund administrator or a custodian, registered with the Authority, a valuer registered with Insolvency and Bankruptcy Board of India or such other person as may be specified by the Authority.	<p>50 (2) In line with the investment valuation norms, the assets of the scheme <u>shall</u> may be valued by an independent third-party service provider such as a fund administrator or a custodian, registered with the Authority, a valuer registered with Insolvency and Bankruptcy Board of India or such other person as may be specified by the Authority.</p> <p><u>Provided that the above requirement shall not apply in case of a fund of funds scheme investing in regulated scheme(s) which are</u></p>	Fund of funds schemes typically rely on the valuation of assets undertaken by the master fund. If the valuation at the master fund level is carried out by an independent third-party service provider, this obviates the need for the FME to carry out the valuation again for fund of funds scheme. Therefore, an enabling provision to provide this flexibility is proposed to be inserted.	EoDB



#	Existing Regulation	Proposed Regulation <i>(Underlined text indicates proposed insertion and struck-through text indicates proposed omission)</i>	Brief rationale, Data point, Global benchmarks, where applicable	Amendment Type
		<u>valued by any independent third-party service provider.</u>		
CHAPTER III SCHEMES FOR FUND MANAGEMENT PART D: SPECIAL SITUATION FUNDS				
26	<p>55 (1) A Registered FME may launch a special situation fund through a private placement memorandum by filing the memorandum with the Authority along with the application fees at least 21 working days before launch of the scheme.</p> <p>(2) The Authority may endeavor to communicate its comments, if any, to the FME within twenty-one (21) working days of receipt of satisfactory response and the FME shall ensure that the comments are duly incorporated in the placement memorandum prior to launch of the scheme.</p>	<p>55 (1) A Registered FME may launch a special situation fund through a private placement memorandum by filing the memorandum with the Authority along with the application fees at least 21 working days before launch of the <u>scheme in the manner as specified by the Authority in this regard.</u></p> <p>(2) The Authority may endeavor to communicate its comments, if any, to the FME within twenty-one (21) working days of receipt of satisfactory response and the FME shall ensure that the comments are duly incorporated in the placement memorandum prior to launch of the scheme.</p>	<p>Due to the present time limit of 6 months, fund managers who are not able to launch schemes within this period are required to refile their documents with IFSCA and pay fee to extend the validity of schemes by another 6 months. This causes operational hassle for the FMEs. Therefore, in order to bring ease of operations to FMEs, the suggested amendment is proposed.</p> <p>Further, it is noted that SEBI AIF Regulations prescribe a timeline of 12 months for first close of the scheme, failing which AIF is required to file a fresh application with SEBI by paying full fee as applicable on filing of a new scheme.</p>	EoDB



#	Existing Regulation	Proposed Regulation <i>(Underlined text indicates proposed insertion and struck-through text indicates proposed omission)</i>	Brief rationale, Data point, Global benchmarks, where applicable	Amendment Type
	<p>Provided that the validity of the placement memorandum for launch of the scheme shall be six (6) months from the date of filing with the Authority or the date of observation letter of Authority, whichever is later.</p>	<p>Provided that the validity of the placement memorandum for launch of the scheme shall be valid for six (6) twelve (12) months from the date of filing with the Authority or the date of observation letter of Authority, whichever is later, during which period the FME shall declare the first close of the scheme by achieving at least the minimum size of corpus as per regulation 58(1), failing which it shall file the placement memorandum again with the Authority by paying the full fee as applicable for a fresh scheme.</p>		
CHAPTER VI OTHER FUND MANAGEMENT ACTIVITIES PART A: PORTFOLIO MANAGEMENT SERVICES				
27	<p>77(1). A FME shall not accept from the client, funds or securities worth less than USD 150,000 in case of a portfolio management agreement:</p>	<p>77(1). A FME shall not accept from the client, funds or securities worth less than USD <u>seventy-five thousand (75,000)</u> 450,000 in case of a portfolio management agreement:</p>	<p>The minimum investment requirement under PMS in IFSC is almost 2.5 times that for SEBI registered Portfolio Managers. In the comments received during public consultation as well as during several interactions with market participants, this disparity has been highlighted.</p>	EoDB



#	Existing Regulation	Proposed Regulation <i>(Underlined text indicates proposed insertion and struck-through text indicates proposed omission)</i>	Brief rationale, Data point, Global benchmarks, where applicable	Amendment Type
	<p><i>Provided</i> that the minimum investment threshold shall not apply to an accredited investor.</p> <p><i>Provided</i> further that the existing portfolio managers registered with the Authority and having clients with funds or securities worth less than USD 150,000 shall be grandfathered in the manner as may be specified by the Authority.</p>	<p><i>Provided</i> that the minimum investment threshold shall not apply to an accredited investor.</p> <p><i>Provided</i> further that the existing portfolio managers registered with the Authority and having clients with funds or securities worth less than USD 150,000 shall be grandfathered in the manner as may be specified by the Authority.</p>	<p>Market participants in their representation to IFSCA have highlighted that based on regulations, local practices or the framework for qualified/accredited investors, in foreign jurisdictions like DIFC, Mauritius, Cayman Islands, Ireland and Luxemburg, the minimum investment threshold ranges from USD 50,000 to USD 100,000.</p> <p>Further, prior to the notification of FM Regulations, the minimum threshold for PMS was USD 70,000.</p> <p>By rationalizing the threshold, the portfolio management services in IFSC would be able to attract more investors who are presently deterred by the high threshold and are, therefore, forced to avail such services from fund managers in offshore jurisdictions.</p>	
28	77(2). The funds of a client availing portfolio management services (other than those availing only	77(2). The funds of a client availing portfolio management services (other than those	The present provision envisages control of the FME on the funds of the client designated for portfolio management	<i>EoDB</i>



#	Existing Regulation	Proposed Regulation <i>(Underlined text indicates proposed insertion and struck-through text indicates proposed omission)</i>	Brief rationale, Data point, Global benchmarks, where applicable	Amendment Type
	<p>advisory services) may be maintained in-</p> <p>(a) a specific bank account of the FME in a Banking Unit;</p> <p>(b) a specific bank account of the client in a Banking Unit, a bank in India or a Foreign Jurisdiction; or</p> <p>(c) any other manner as may be specified by the Authority.</p> <p><i>Provided</i> that when the funds are maintained in the specific bank account of a client, the FME operating as portfolio manager shall ensure that it is duly authorised to operate the said bank account either by itself or through a custodian and that it shall provide the details of all such bank accounts including transactions carried out thereunder, to the Authority, whenever directed to do so</p>	<p>availing only advisory services) may be maintained in-</p> <p>(a) a specific bank account of the FME in a Banking Unit;</p> <p>(b) a specific bank account of the client in a Banking Unit, a bank in India or a Foreign Jurisdiction; or</p> <p><u>(ba) a specific account of the client maintained with a regulated broker dealer in IFSC, India or foreign jurisdiction; or</u></p> <p>(c) any other manner as may be specified by the Authority.</p> <p><i>Provided</i> that when the funds are maintained in the specific bank account of a client, the FME operating as portfolio manager shall ensure that it is duly authorised to operate the said bank account either by itself or through a custodian and that it shall provide the details of all such bank accounts including transactions carried out thereunder, to the Authority, whenever directed to do so.</p> <p><u><i>Provided</i> further that when the funds of the clients are in a specific account maintained with</u></p>	<p>services. This is, inter alia, intended to ensure that the client provides the minimum corpus for this service as mandated under the regulations.</p> <p>In our interactions with the market participants, it has been brought to attention that in many cases, international brokers provide functionality to allow regulated fund managers or investment advisers to manage a client’s portfolio of funds and securities maintained with the broker. Under the extant provisions, the portfolio manager is mandated to either take clients’ funds in its own bank account in IBU or request for a power of attorney on the clients’ bank account. In order to enable the portfolio managers in IFSC to manage client funds/portfolio maintained with a broker dealer, an enabling provision is proposed, while also requiring the FME to ensure compliance with the minimum investment threshold.</p>	



#	Existing Regulation	Proposed Regulation <i>(Underlined text indicates proposed insertion and struck-through text indicates proposed omission)</i>	Brief rationale, Data point, Global benchmarks, where applicable	Amendment Type
		<p><u>a regulated broker dealer, the FME operating as portfolio manager shall ensure that -</u></p> <ul style="list-style-type: none"> (i) <u>adequate controls are in place to ensure compliance with sub-regulation 1,</u> (ii) <u>it is duly authorised to operate the said account, and</u> (iii) <u>it shall provide the details of all such accounts including transactions carried out thereunder, to the Authority, whenever directed to do so.</u> 		
29	78(3) 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.	78(3) 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.	Amendment proposed to make the drafting better and improve readability.	<i>Clarification</i>
30	80. A FME as part of its portfolio management services shall enter	80. A FME as part of its portfolio management services shall enter into an agreement with	Aligned with the proposal detailed for Regulation 77 (1).	<i>EoDB</i>



#	Existing Regulation	Proposed Regulation <i>(Underlined text indicates proposed insertion and struck-through text indicates proposed omission)</i>	Brief rationale, Data point, Global benchmarks, where applicable	Amendment Type
	<p>into an agreement with prospective clients for providing advisory services, provided:</p> <p>(a) it complies with the Regulation 43 to 50 of the IFSCA (Capital Market Intermediaries) Regulations, 2021.</p> <p>(b) It complies with the code of conduct under the IFSCA (Capital Market Intermediaries) Regulations, 2021; and</p> <p>(c) Advisory services are for a portfolio not less than USD 150,000.</p>	<p>prospective clients for providing advisory services, provided:</p> <p>(a) it complies with the Regulation 43 to 50 of the IFSCA (Capital Market Intermediaries) Regulations, 2021.</p> <p>(b) It complies with the code of conduct under the IFSCA (Capital Market Intermediaries) Regulations, 2021; and</p> <p>(c) Advisory services are for a portfolio not less than USD 150,000 <u>75,000</u>.</p>		
<p>CHAPTER VI</p> <p>OTHER FUND MANAGEMENT ACTIVITIES</p> <p>PART B: INVESTMENT TRUST</p>				
31	<p>83 (1) (q) "special purpose vehicle " or "SPV " means any company or LLP or any other structure as approved by the Authority, -</p> <p>(i) in which either the Investment Trust or the holdco holds or proposes to hold controlling interest</p>	<p>83 (1) (q) "special purpose vehicle " or "SPV " means any company or LLP or any other structure as approved by the Authority, -</p> <p>(i) in which either the Investment Trust or the holdco holds or proposes to hold controlling interest and not less than fifty one percent of the equity share capital or interest:</p>	<p>Amendment proposed to address a discrepancy.</p>	<p><i>Clarification</i></p>



#	Existing Regulation	Proposed Regulation <i>(Underlined text indicates proposed insertion and struck-through text indicates proposed omission)</i>	Brief rationale, Data point, Global benchmarks, where applicable	Amendment Type
	<p>and not less than fifty one percent of the equity share capital or interest: <i>Provided</i> that in case of PPP projects where such acquiring or holding is disallowed by government or regulatory provisions under the concession agreement or such other agreement, this clause shall not apply and shall be subject to provisions under proviso to clause 12(3); (ii) which holds not less than eighty percent of its assets directly in infrastructure projects or properties and does not invest in other SPVs; and (iv) which is not engaged in any other activity other than activities pertaining to and incidental to the underlying infrastructure projects or holding or development of the property, as the case may be;</p>	<p><i>Provided</i> that in case of PPP projects where such acquiring or holding is disallowed by government or regulatory provisions under the concession agreement or such other agreement, this clause shall not apply and shall be subject to provisions under proviso to clause 12(3) <u>clause (e) of Part D under Fourth Schedule</u>; (ii) which holds not less than eighty percent of its assets directly in infrastructure projects or properties and does not invest in other SPVs; and (iv) <u>(iii)</u> which is not engaged in any other activity other than activities pertaining to and incidental to the underlying infrastructure projects or holding or development of the property, as the case may be;</p>		



#	Existing Regulation	Proposed Regulation <i>(Underlined text indicates proposed insertion and struck-through text indicates proposed omission)</i>	Brief rationale, Data point, Global benchmarks, where applicable	Amendment Type
32	<p>102 (5) For any transaction of purchase or sale of infrastructure projects or properties, whether directly or through holdco and/or SPVs, for publicly offered Investment Trusts,–</p> <p>(a). a full valuation of the specific project shall be undertaken by the valuer; if,–</p> <p>(i) in case of a purchase transaction, the asset is proposed to be purchased at a value greater than hundred ten percent (10%) of the value of the asset as assessed by the valuer;</p> <p>(ii)</p>	<p>102 (5) For any transaction of purchase or sale of infrastructure projects or properties, whether directly or through holdco and/or SPVs, for publicly offered Investment Trusts,–</p> <p>(a). a full valuation of the specific project shall be undertaken by the valuer; if,–</p> <p>(i) in case of a purchase transaction, the asset is proposed to be purchased at a value greater than <u>one</u> hundred <u>and</u> ten percent (<u>110</u>%) of the value of the asset as assessed by the valuer;</p> <p>(ii)</p>	<p>Amendment proposed to address a typographical error</p>	<p><i>Clarification</i></p>

**CHAPTER VI
OTHER FUND MANAGEMENT ACTIVITIES
PART C: FAMILY INVESTMENT FUND**



#	Existing Regulation	Proposed Regulation <i>(Underlined text indicates proposed insertion and struck-through text indicates proposed omission)</i>	Brief rationale, Data point, Global benchmarks, where applicable	Amendment Type
33	Insertion of a provision for facilitating creation of additional investment vehicles	<u>104 (5). A FIF may set-up additional investment vehicles subject to prior filing with the Authority and payment of fee as specified by the Authority. Such additional vehicles, in the form of companies, limited liability partnerships, trusts or any other form as may be specified by the Authority, shall also be considered as part of the FIF for the purpose of meeting the conditions applicable to a FIF.</u>	A FIF may desire to pursue different strategies under different investment vehicles or segregate its investments under different legal entities. Therefore, to enable creation of such vehicles, the insertion is proposed.	<i>EoDB</i>
34	Permissible investments 106. Subject to other provisions of these regulations, a family investment fund may invest money only in:- (a) Securities issued by the unlisted entities; (b) Securities listed or to be listed or traded on stock exchanges in IFSC, India or foreign jurisdictions; (c) Money market instruments; (d) Debt securities;	Permissible investments 106. Subject to other provisions of these regulations, a family investment fund may invest money only in <u>the following in IFSC, India or foreign jurisdictions in the manner and to the extent as specified by the Authority:-</u> (a) <u>Unlisted securities issued by the unlisted entities;</u> (b) Securities listed or to be listed or traded on stock exchanges in IFSC, India or foreign jurisdictions; (c) Money market instruments; (d) Debt securities;	For abundant clarity regarding the jurisdictions in which the investments can be made by a Family Investment Fund, the suggested change is proposed.	<i>Clarification</i>



#	Existing Regulation	Proposed Regulation <i>(Underlined text indicates proposed insertion and struck-through text indicates proposed omission)</i>	Brief rationale, Data point, Global benchmarks, where applicable	Amendment Type
	(e) Securitised debt instruments, which are either asset backed or mortgage-backed securities; (f) Other investment schemes set up in the IFSC, India and foreign jurisdiction; (g) Derivatives including commodity derivatives; (h) Units of mutual funds and alternative investment funds in India and foreign jurisdiction; (i) Investment in Limited Liability Partnerships; (j) Physical assets such as real estate, bullion, art, etc.; or (k) Such other securities or financial product /assets or instruments as specified by the Authority.	(e) Securitised debt instruments, which are either asset backed or mortgage-backed securities; (f) Other investment schemes set up in the IFSC, India and foreign jurisdiction ; (g) Derivatives including commodity derivatives; (h) Units of mutual funds and alternative investment funds in India and foreign jurisdiction ; (i) Investment in Limited Liability Partnerships; (j) Physical assets such as real estate, bullion, art, etc.; or (k) Such other securities or financial product /assets or instruments as specified by the Authority.		
CHAPTER VIII GENERAL OBLIGATIONS AND RESPONSIBILITIES				
35	Appointment of Custodian	Appointment of Custodian	As certain jurisdictions do not allow external custodians to custody the securities issued	<i>Clarification</i>



#	Existing Regulation	Proposed Regulation <i>(Underlined text indicates proposed insertion and struck-through text indicates proposed omission)</i>	Brief rationale, Data point, Global benchmarks, where applicable	Amendment Type
	<p>132. The FME shall appoint an independent custodian to carry out the custodial services at least for the following schemes:-</p> <p>(1) Retail schemes;</p> <p>(2) Open ended restricted schemes; and</p> <p>(3) All other schemes managing AUM above USD 70 Million.</p>	<p>132. The FME shall appoint an independent custodian to carry out the custodial services at least for the following schemes:-</p> <p>(1) Retail schemes;</p> <p>(2) Open ended restricted schemes; and</p> <p>(3) All other schemes managing AUM above USD 70 Million.</p> <p><u>Explanation. – The Custodian appointed under this regulation shall be based in an IFSC, unless the local laws of the jurisdiction where the securities have been issued do not permit the same, in which case, the FME may appoint a custodian which is based in India or foreign jurisdiction and is regulated by the financial sector regulator of that jurisdiction.</u></p>	<p>there, therefore a clarity is proposed to allow FMEs to appoint custodian even outside IFSC in such case.</p>	
FIRST SCHEDULE (Regulation 3) APPLICATION FORM				
36	<p>7. Confirmations & Declarations</p> <p>a) We hereby declare that the information supplied in the</p>	<p>7. Confirmations & Declarations</p>	<p>In order to ensure compliance with the regulation 7(4), which stipulates the requirement for the Principal Officer and</p>	<p><i>Safeguard</i></p>



#	Existing Regulation	Proposed Regulation <i>(Underlined text indicates proposed insertion and struck-through text indicates proposed omission)</i>	Brief rationale, Data point, Global benchmarks, where applicable	Amendment Type
	<p>application, including the attachment sheets, is complete and true.</p> <p>.....</p> <p>.....</p> <p>i) We shall, to the satisfaction of IFSCA, furnish any other information as may be sought by IFSCA.</p>	<p>a) We hereby declare that the information supplied in the application, including the attachment sheets, is complete and true.</p> <p>.....</p> <p>.....</p> <p><u>fa) We shall ensure that the Principal Officer and other KMPs as provided under sub-regulation (2) and (3) of regulation 7 shall be based out of IFSC.</u></p> <p>.....</p> <p>i) We shall, to the satisfaction of IFSCA, furnish any other information as may be sought by IFSCA.</p>	<p>other KMPs as referred under regulations 7(2) and 7(3) to be based out of IFSC, the insertion is proposed.</p>	

(End of Annexure 2)