



CIRCULAR

F. No. IFSCA-AIF/6/2025-Capital Markets

May 21, 2025

To,

Fund Management Entities (FMEs) in International Financial Services Centres (IFSCs)

Madam/Sir,

Subject: Framework to facilitate Co-investment by Venture Capital Scheme and Restricted Scheme

- A.** Reference is drawn to the International Financial Services Centres Authority (Fund Management) Regulations, 2025 (hereinafter referred to as the “FM Regulations”) issued by International Financial Services Centres Authority vide notification dated February 10, 2025 and in particular sub-regulation (1) of regulation 29 and sub-regulation (1) of regulation 41, which *inter-alia* enables a Venture Capital Scheme and Restricted Scheme to co-invest in permissible investments through SPV and for SPV to undertake leverage as disclosed in the placement memorandum.
- B.** In order to provide mechanism and manner for facilitating co-investment by Venture Capital Scheme and Restricted Scheme through SPV (hereinafter referred to as the “Special Scheme”) and for such Special Scheme to undertake leverage, the Authority hereby issues this Framework as under:

CHAPTER - I

STRUCTURE, OBJECTIVE AND NATURE OF SPECIAL SCHEME

1. Structure of the Special Scheme

- a) An FME registered with the Authority, having either an operational Venture Capital Scheme or Restricted Scheme or both (hereinafter referred to as the ‘Existing scheme’), shall be eligible to launch a Special Scheme, in accordance with the terms and conditions of the placement memorandum of the Existing Scheme.

Explanation: Additionally, a Special Scheme shall file a detailed term sheet with the Authority, setting out the key terms and conditions of the Special Scheme.

- b) The Special Scheme shall be constituted as Company or LLP or Trust under the applicable laws of India.
- c) The Special Scheme shall be classified as a Category I, II, or III Alternative Investment Fund (AIF), corresponding to the classification of the Existing Scheme.
- d) The Existing Scheme shall, at all times, hold a minimum of at least 25% of the equity share capital, interest, or capital contribution in the Special Scheme.

2. Objective of Special Scheme

- a) In line with the investment strategy of the Existing Scheme, as recorded by the Authority, the Special Scheme shall be used for making Co-investment with or without leverage.
- b) A Special Scheme shall be permitted to invest only in a single portfolio company;

Provided that the Special Scheme shall be permitted to hold securities of more than one entity if such securities are issued as a result of one or more corporate actions or restructurings at the portfolio company level, including but not limited to amalgamation, demerger, slump.

3. Nature and Tenure of the Special Scheme

- a) The nature of the Special Scheme shall correspond to the nature of the Existing Scheme.
- b) The tenure of the Special Scheme shall be co-terminus with the tenure of the Existing Scheme, unless liquidated earlier.
- c) In the event of the liquidation of the Existing Scheme, the Special Scheme shall also be liquidated.

CHAPTER - II

TERMSHEET AND ELIGIBLE INVESTORS

4. Eligible Investors

Any person shall be eligible to co-invest in the Special Scheme, subject to the minimum contribution requirements as mentioned in the FM Regulations.

5. Filing of Term Sheet

- a) A Term Sheet, containing minimum disclosures as specified in **Annexure A**, shall be filed with the Authority within 45 days from the date of investment.

Explanation: For the limited purpose of operating the bank account of the Special Scheme, the Term Sheet shall be considered as constitutional document by the Banking Units in IFSC.

- b) The Term Sheet shall also be accompanied by a declaration cum undertaking as per the format specified in **Annexure B**.

6. Disclosures to Investors

- a) The investors of the Existing Scheme shall be duly informed of the establishment of the Special Scheme prior to seeking capital contribution.
- b) The Term Sheet shall be provided to the investor(s) and shall contain the disclosures as specified under regulations 24 and 36 of the FM Regulations.

CHAPTER- III

LEVERAGE, CONTRIBUTION AND CONTROL OF THE SPECIAL SCHEME

7. Leverage

- a) The leverage undertaken by the Special Scheme shall be within the overall leverage limits specified in the Placement Memorandum of the Existing Scheme.
- b) The Existing Scheme and investors of the Special Scheme shall be permitted to create encumbrance, over their ownership interests in the Special Scheme, in favour of a lender to the Special Scheme.

8. Contribution by the FME in the Special Scheme

The FME, in its sole discretion, may choose to contribute in the Special Scheme.

9. Decision making and Control of the Special Scheme

The FME shall be the decision-making and controlling authority of the operation of the Special Scheme.

Explanation: No investors of the Special Scheme shall exercise any right that prevents the Existing Scheme from complying with the regulatory requirements specified by the Authority.

CHAPTER - IV MISCELLANEOUS

10. Reporting

The activities of the Special Scheme may be consolidated with the reporting of the Existing Scheme for the purpose of reporting to the Authority.

11. Know Your Customer (KYC)

- a) No separate KYC may be undertaken by the FME, for existing investors to invest in the Special Scheme.
- b) For onboarding any new investors in the Special Scheme, the FME shall conduct the KYC in accordance with the IFSCA (AML-CTF&KYC) Guidelines, 2022.

12. Other Conditions

- a) All other obligations specified under the FM Regulations shall apply to the Special Scheme.
- b) Each Special Scheme shall obtain the relevant Special Economic Zone (SEZ) approval (s) under the SEZ Act, 2005 and rules, before filing the Term sheet with the Authority.

13. Fees

The FME shall pay the applicable fee as specified in the Circular dated April 08, 2025, and titled as 'Fee structure for the entities undertaking or intending to undertake permissible activities in IFSC or seeking guidance under the Informal Guidance Scheme.'

14. This Circular is issued in exercise of the powers conferred by Sections 12 and 13 of the International Financial Services Centres Authority Act, 2019, read with sub-regulation (1) of regulation 29, sub-regulation (1) of regulation 41 and sub-

regulation (1) of regulation 146 of the FM Regulations and shall come into force with immediate effect.

A copy of this Circular is available on the International Financial Services Centres Authority website at www.ifsc.gov.in.

sd/-
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Annexure A
{refer clause 5 (a)}

Minimum Disclosure Requirements

Sr. No	Particulars	
1	Name of the Existing Scheme and Acknowledgement number	
2	Name of the Special Scheme	
3	Name of the Portfolio company, amount invested therein, and percentage stake acquired by the SPV	
4	Percentage holding of Existing Scheme	
5	Percentage holding of other investors (individually)	
6	Leverage amount and percentage compared to equity investment	
7	Name of the institution providing Leverage (including location)	
8	Declaration cum Undertaking (Annexure B)	
9	SEZ LOA number and date	

Annexure B

{refer clause 5 (b)}

FORMAT OF THE DECLARATION CUM UNDERTAKING (TO BE FURNISHED BY FME)

This has reference to the {name of the Scheme (Venture Capital Scheme or Restricted Scheme) to be specified} (hereinafter referred to as the Existing Scheme) launched by ___ (name, CIN/LLPIN and registered address), (hereinafter referred to as the "FME") in accordance with the relevant provisions of the IFSCA (Fund Management) Regulations, 2025, and circulars/guidelines issued thereunder. In order to co-invest in permissible investment through a Special Purpose Vehicle (SPV) and for such SPV to undertake leverage in accordance with the Framework dated _____ issued by the Authority, the Existing Scheme has set up a SPV (hereinafter referred to as the 'Special Scheme').

Now therefore, in consideration of the foregoing, I, the undersigned, acting for and on behalf of the FME, hereby declare and undertake as under:

- (1) That no material facts or information have been concealed or omitted in any documents, submissions, or any disclosures made or provided to the Authority.
- (2) That all information provided to the Authority are true, complete, accurate, and are in accordance with the regulations, circulars or guidelines issued by the Authority.
- (3) That FME shall promptly inform the Authority of any material changes or developments that may have bearing on the information provided to the Authority.
- (4) That FME shall, at all times, comply with the applicable laws and the provision of the aforesaid Framework, including but not limited to any directions or instructions issued thereunder.

We understand that any failure to comply with applicable provisions of the regulations, circulars or guidelines may attract penalties, sanctions, or such other enforcement actions as may be deemed appropriate by the Authority.

For and on behalf of (name of Fund Management Entity)

Authorized signatory
(Signature)