



CIRCULAR

SEBI/HO/AFD-1/PoD/P/CIR/2022/155

November 17, 2022

To,

All Alternative Investment Funds (AIFs)

Sir/Madam,

Sub: Guidelines for AIFs for declaration of first close, calculation of tenure and change of sponsor/manager or change in control of sponsor/manager

1. SEBI (Alternative Investment Funds) Regulations, 2012 ("AIF Regulations"), have been amended and notified on November 15, 2022. Copy of the notification is available at [link](#).

2. Timeline for declaration of First Close of schemes of AIFs:

In terms of Regulation 12(4) of AIF Regulations, the first close of the scheme shall be declared by an AIF in the manner as may be specified by SEBI from time to time. In this regard, the following is specified:

2.1. The First Close of a scheme shall be declared not later than 12 months from the date of SEBI communication for taking the PPM of the scheme on record.

2.2. In case of open ended schemes of Category III AIFs, the First Close shall refer to the close of their Initial Offer Period.

2.3. Corpus of the scheme at the time of declaring its First Close shall not be less than the minimum corpus prescribed in AIF Regulations for the respective category/sub-category of the AIF.

2.4. The commitment provided by sponsor or manager at the time of declaration of First Close, to the extent to meet the aforesaid minimum corpus requirement, shall not be reduced or withdrawn or transferred, post First Close.

2.5. Existing schemes of AIFs, who have not declared their First Close, shall declare their First Close not later than 12 months from the date of this circular.

2.6. Existing schemes of AIFs, whose PPMs were taken on record prior to 12 months from the date of this circular and have not declared their First Close, shall submit updated PPM with SEBI in the format specified in SEBI circular



SEBI/HO/IMD/DF6/CIR/P/2020/24 dated February 05, 2020, through a SEBI registered merchant banker along with due diligence certificate from the merchant banker as specified in Annexure A of SEBI Circular SEBI/HO/IMD/IMD-I/DF6/P/CIR/2021/645 dated October 21, 2021 and such updated PPM shall be circulated to investors before declaration of First Close.

- 2.7. The First Close of Large Value Fund for Accredited Investors ("LVF") scheme shall be declared not later than 12 months from the date of grant of registration of the AIF or date of filing of PPM of scheme with SEBI, whichever is later.
- 2.8. Existing LVF schemes shall declare their First Close not later than 12 months from the date of this circular.
- 2.9. In case the First Close of a scheme is not declared within the timeline prescribed above, the AIF shall file a fresh application for launch of the said scheme as per applicable provisions of AIF Regulations by paying requisite fee to SEBI.

3. Calculation of tenure of close-ended schemes of AIFs:

In terms of Regulation 13(4) of AIF Regulations, the manner of calculating the tenure of a close ended scheme of an AIF, including the manner of modification of the tenure, may be specified by SEBI from time to time. In this regard, the following is specified:

- 3.1. The tenure of close ended schemes of AIFs shall be calculated from the date of declaration of the First Close.
- 3.2. AIF may modify the tenure of a scheme at any time before declaration of its First Close. Prior to declaration of the First Close, the investor may withdraw or reduce commitment provided to such scheme of an AIF.
- 3.3. Existing schemes of AIFs which have declared their First Close, may continue to calculate their tenure from the date of Final Close in terms of SEBI Circular CIR/IMD/DF/7/2015 dated October 1, 2015. Such existing schemes of AIFs, which are yet to declare Final Close, shall declare their Final Close as per the timeline provided in the PPM of the scheme and the AIF/manager shall not have any discretion to extend the said timeline provided in the PPM.



4. Fee for change in control of manager/sponsor or change in manager/sponsor of AIFs:

In terms of Regulation 20(13) of AIF Regulations, in case of change of Sponsor or Manager, or change in control of the AIF, Sponsor or Manager, prior approval from the Board shall be taken by the AIF, subject to levy of fees and any other conditions as may be specified by SEBI from time to time. In this regard, the following is specified:

4.1. A fee equivalent to the registration fee applicable to the respective category / sub-category of the AIF, shall be levied in case of change in control of manager/sponsor and in case of change in manager/sponsor. The cost paid towards such fee by manager/sponsor shall not be passed on to the investors of the AIF in any manner.

4.2. In case change in control of manager/change of manager and change in control of sponsor/change of sponsor of an AIF is proposed simultaneously, aforesaid fee equivalent to single registration fee shall be levied.

4.3. The aforesaid fee shall not be levied in the following cases for change in sponsor or change in control of sponsor:

- i) The manager is acquiring control in or replacing the sponsor and
- ii) Exit of sponsor(s) in case of AIF having multiple sponsors.

4.4. The aforesaid fee shall be paid within 15 days of effecting the proposed change in manager/sponsor or change in control of manager/sponsor.

4.5. In case of the applications pending with SEBI as on the date of this circular, for change in control of manager/sponsor or change in manager/sponsor, the requirement of fee shall be applicable only in those applications where none of the schemes of AIFs managed/sponsored by manager/sponsor have declared their First Close.

4.6. The prior approval granted by SEBI in this regard shall be valid for a period of 6 months from the date of SEBI communication for the approval.

5. This circular shall come into force with immediate effect.

6. This circular is issued with the approval of the competent authority.

7. This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of



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Securities and Exchange Board of India

investors in securities and to promote the development of, and to regulate the securities market.

8. The circular is available on SEBI website at www.sebi.gov.in under the categories "Legal framework - Circulars" and "Info for - Alternative Investment Funds".

Yours faithfully,

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