

SECURITIES AND EXCHANGE BOARD OF INDIA

NOTIFICATION

Mumbai, the 5th January, 2024

(Alternative Investment Funds) (Amendment) Regulations, 2024

No. SEBI/LAD-NRO/GN/2024/163.—In exercise of the powers conferred by sub-section (1) of Section 30 read with sub-section (1) of Section 11, clause (ba) and clause (c) of sub-section (2) of Section 11 and sub-section (1) and (1B) of Section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992), the Board hereby makes the following regulations to further amend the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012, namely, –

1. These Regulations may be called the Securities and Exchange Board of India (Alternative Investment Funds) (Amendment) Regulations, 2024.
2. They shall come into force on the date of their publication in the Official Gazette.
3. In the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012, –
 - I. In regulation 15, in sub-regulation (1), after clause (h), the following new clause shall be inserted, namely, -

“(i) *Alternative Investment Funds shall hold their investments in dematerialised form, subject to such conditions as may be specified by the Board from time to time:*

Provided that the requirement under clause (i) of sub-regulation (1) shall not apply to:

 - (a) *investments by Alternative Investment Funds in such type of instruments which are not eligible for dematerialisation,*
 - (b) *investments held by a liquidation scheme of the Alternative Investment Funds that are not available in the dematerialised form, and*
 - (c) *such other investments by Alternative Investment Funds and such other schemes of Alternative Investment Funds as may be specified by the Board from time to time.”*
 - II. In regulation 20, sub-regulation (11) shall be substituted with the following, namely, -

“(11) *The Sponsor or Manager of the Alternative Investment Fund shall appoint a Custodian registered with the Board for safekeeping of the securities of the Alternative Investment Fund, in the manner as may be specified by the Board from time to time:*

Provided that the Custodian appointed by the Sponsor or Manager of a Category III Alternative Investment Fund shall keep the custody of the securities and goods received in delivery against the physical settlement of commodity derivative:

Provided further that the Custodian appointed by the Sponsor or Manager of an Alternative Investment Fund shall report or disclose such information regarding investments of the Alternative Investment Fund in such manner as may be specified by the Board from time to time.”
 - III. In regulation 20, after sub-regulation (11), the following new sub-regulation shall be inserted, namely, -

“(11A) *A Custodian which is an associate of the Sponsor or Manager of an Alternative Investment Fund may act as a custodian for that Alternative Investment Fund only when all the following conditions are met:*

 - (a) *the Sponsor or Manager has a net worth of at least twenty thousand crore rupees at all points of time;*
 - (b) *fifty per cent or more of the directors of the Custodian do not represent the interest of the Sponsor or Manager or their associates;*
 - (c) *the Custodian and the Sponsor or Manager of the Alternative Investment Fund are not subsidiaries of each other;*
 - (d) *the custodian and the Sponsor or Manager of the Alternative Investment Fund do not have common directors; and*

- (e) *the Custodian and the Manager of the Alternative Investment Fund sign an undertaking that they shall act independently of each other in their dealings of the schemes of the Alternative Investment Fund.”*

BABITHA RAYUDU, Executive Director

[ADVT.-III/4/Exty./673/2023-24]

Footnote:

1. The Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 were published in the Gazette of India on May 21, 2012 vide No. SEBI/LAD-NRO/GN/2012-13/04/11262.
2. The Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 were subsequently amended on, –
 - (a) 16th September, 2013 by the Securities and Exchange Board of India (Alternative Investment Funds) (Amendment) Regulations, 2013 vide No. LAD-NRO/GN/2013-14/24/6573.
 - (b) 23rd May, 2014 by the Securities and Exchange Board of India (Payment of Fees) (Amendment) Regulations, 2014 vide No. LAD-NRO/GN/2014-15/03/1089.
 - (c) 26th September, 2014 by the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014 vide No. LAD-NRO/GN/2014-15/11/1576.
 - (d) 14th August, 2015 by the Securities and Exchange Board of India (Alternative Investment Funds) (Amendment) Regulations, 2015 vide No. SEBI/LAD-NRO/GN/2015-16/011.
 - (e) 4th January, 2017 by the Securities and Exchange Board of India (Alternative Investment Funds) (Amendment) Regulations, 2016 vide No. SEBI/LAD/NRO/GN/2016-17/026.
 - (f) 6th March, 2017 by the Securities and Exchange Board of India (Payment of Fees and Mode of Payment) (Amendment) Regulations, 2017 vide No. SEBI/LAD/NRO/GN/2016-17/037.
 - (g) 1st June, 2018 by the Securities and Exchange Board of India (Alternative Investment Funds) (Amendment) Regulations, 2018 vide No. SEBI/LAD/NRO/GN/2018/19.
 - (h) 10th May, 2019 by the Securities and Exchange Board of India (Alternative Investment Funds) (Amendment) Regulations, 2019 vide No. SEBI/LAD/NRO/GN/2019/16.
 - (i) 17th April, 2020 by the Securities and Exchange Board of India (Regulatory Sandbox) (Amendment) Regulations, 2020 vide No. SEBI/LAD-NRO/GN/2020/10.
 - (j) 19th October, 2020 by the Securities and Exchange Board of India (Alternative Investment Funds) (Amendment) Regulations, 2020 vide No. SEBI/LAD/NRO/GN/2020/37.
 - (k) 8th January, 2021 by the Securities and Exchange Board of India (Alternative Investment Funds) (Amendment) Regulations, 2021 vide No. SEBI/LAD/NRO/GN/2021/01.
 - (l) 5th May, 2021 by the Securities and Exchange Board of India (Alternative Investment Funds) (Second Amendment) Regulations, 2021 vide No. SEBI/LAD-NRO/GN/2021/21.
 - (m) 3rd August, 2021 by the Securities and Exchange Board of India (Regulatory Sandbox) (Amendment) Regulations, 2021 vide No. SEBI/LAD-NRO/GN/2021/30.
 - (n) 3rd August, 2021 by the Securities and Exchange Board of India (Alternative Investment Funds) (Third Amendment) Regulations, 2021 vide No. SEBI/LAD-NRO/GN/2021/33.
 - (o) 13th August, 2021 by the Securities and Exchange Board of India (Alternative Investment Funds) (Fourth Amendment) Regulations, 2021 vide No. SEBI/LAD-NRO/GN/2021/41.
 - (p) 9th November, 2021 by the Securities and Exchange Board of India (Alternative Investment Funds) (Fifth Amendment) Regulations, 2021 vide No. SEBI/LAD-NRO/GN/2021/57.
 - (q) 24th January, 2022 by the Securities and Exchange Board of India (Alternative Investment Funds) (Amendment) Regulations, 2022 vide No. SEBI/LAD-NRO/GN/2022/68.
 - (r) 16th March, 2022 by the Securities and Exchange Board of India (Alternative Investment Funds) (Second Amendment) Regulations, 2022 vide No. SEBI/LAD-NRO/GN/2022/75.
 - (s) 25th July, 2022 by the Securities and Exchange Board of India (Alternative Investment Funds) (Third Amendment) Regulations, 2022 vide No. SEBI/LAD-NRO/GN/2022/89.

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- (t) 15th November 2022, by the Securities and Exchange Board of India (Alternative Investment Funds) (Fourth Amendment) Regulations, 2022 vide No. SEBI/LAD-NRO/GN/2022/105.
 - (u) 9th January 2023, by the Securities and Exchange Board of India (Alternative Investment Funds) (Amendment) Regulations, 2023 vide No. SEBI/LAD-NRO/GN/2023/113.
 - (v) 18th January 2023, by the Securities and Exchange Board of India (Change in Control in Intermediaries) (Amendment) Regulations, 2023 vide No. SEBI/LAD-NRO/GN/2023/115.
 - (w) 7th February 2023, by the Securities and Exchange Board of India (Payment of Fees and Mode of Payment) (Amendment) Regulations, 2023 vide No. SEBI/LAD-NRO/GN/2023/121.
 - (x) 15th June 2023, by the Securities and Exchange Board of India (Alternative Investment Funds) (Second Amendment) Regulations, 2023 vide No. SEBI/LAD-NRO/GN/2023/132.
 - (y) 3rd July 2023, by the Securities and Exchange Board of India (Alternative Dispute Resolution Mechanism) (Amendment) Regulations, 2023 vide No. SEBI/LAD-NRO/GN/2023/137.
 - (z) 17th August 2023, by the Securities and Exchange Board of India (Facilitation of Grievance Redressal Mechanism) (Amendment) Regulations, 2023 vide No. SEBI/LAD-NRO/GN/2023/146.