



N. A. SHAH ADVISORS LLP

# BULLETIN

---

CAPITAL MARKETS BULLETIN – FEBRUARY 2024



## **EXECUTIVE SUMMARY**

- ◆ SEBI has provided norms for dematerialisation of investments made by Alternative Investment Fund (AIFs) and modified the eligibility criteria for foreign investors making investments in AIFs.
- ◆ SEBI had amended the requirements for appointment of custodian and provided for reporting to be done by custodians.
- ◆ Extension has been provided for applicability of verification of market rumours by the listed entities.

## AMENDMENTS IN RELATION TO AIFs

### ◆ Dematerialisation of investments by AIFs:

- SEBI has mandated AIFs to hold their investments in dematerialized form based on the following norms:

<b>A. Investments made on or after 01<sup>st</sup> October 2024</b>	
All the investments by AIFs made on or after 01 <sup>st</sup> October 2024 shall be in dematerialise form.	
<b>B. Investments made prior to 01<sup>st</sup> October 2024</b>	
All the investments made prior to 01 <sup>st</sup> October 2024 shall be exempted from mandatory dematerialisation with the following exceptions:	
1.	Where the investee company has been mandated to facilitate dematerialisation under applicable law
2.	AIF or other registered intermediaries having control over investee company are mandated to hold investments in dematerialization form.
<i>In regard to the above exceptions, the AIFs shall hold their investments in dematerialized form on or before 31<sup>st</sup> January 2025.</i>	
<b>C. General exemptions in respect of:</b>	
1.	Investments which are not eligible for dematerialization.
2.	Investments held by liquidation scheme that are not available in dematerialized form.
3.	Scheme of AIF whose tenure ends on or before 31 <sup>st</sup> January, 2025.
4.	Investments are held on extended tenure.

### ◆ Foreign Investments in AIF:

- At the time of onboarding of investors, the manager of the AIFs were earlier required to ensure that the investor or its underlying investors contributing atleast 25% of the corpus of the investor shall not be included in the Sanctions List notified by the United Nations Security Council and is not a resident of a country identified in the public statement of the Financial Action Task Force as:
  - i. a jurisdiction having a strategic Anti-Money Laundering or Combating the Financing of Terrorism deficiencies to which counter measures apply; or

- ii. a jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with the Financial Action Task Force to address the deficiencies.

SEBI has now mandated the managers of the AIFs to comply with the above conditions in respect of the beneficial owners of the investor as determined under the Prevention of Money Laundering (Maintenance of Records) Rules instead of the person having atleast 25% interest in corpus of the investor.

- o Further, an investor who has already been on-boarded to the scheme of an AIF and does not meet the revised condition as specified above, no further capital contribution from such investor shall be drawn until the investor meets the revised condition.

#### **APPOINTMENT OF CUSTODIAN:**

- ◆ The sponsor or manager of all the AIFs shall appoint a custodian for safekeeping of the securities irrespective of the size of the corpus subject to the following conditions:

Sr. No.	Conditions
1.	The custodian shall be appointed prior to the date of first investment of the scheme.
2.	AIFs Category I and II having corpus of less than INR 500 crores which were not mandated to appoint custodian earlier and holding at least 1 investment shall appoint a custodian on or before 31 <sup>st</sup> January 2025.

- ◆ A custodian who is an associate of the sponsor or manager of the AIF may be appointed subject to satisfying all of the following conditions:

Sr. No.	Conditions
1.	Net worth of sponsor or manager is at least INR 20,000 crores at all times.
2.	Less than 50% of the directors of the custodian represents the interest of sponsor or manager.
3.	The sponsor or manager and custodian are not subsidiaries of each other and does not have any common directors.

4.	All the above conditions are to be complied with on or before 31 <sup>st</sup> January 2025.
----	--


- ◆ Reporting to be made by custodian with SEBI:

Sr. No.	Particulars
1.	The pilot Standard Setting Forum for AIFs (SFA) shall in consultation with SEBI formulate the standards and specify the format of reporting the data.
2.	Such standards shall be published on website of the industry associations i.e. Indian Venture and Alternate Capital Association, PE VC CFO Association and Trustee Association of India within 60 days of the circular.

### **EXTENSION OF TIMELINE FOR APPLICABILITY OF VERIFICATION OF MARKET RUMOURS BY LISTED ENTITIES**

- ◆ The timeline for applicability of verification of market rumours by the listed entities has been extended as follows:

Applicability (by market cap)	Erstwhile timeline	Revised timeline
Top 100 listed entities	01 <sup>st</sup> February 2024	01 <sup>st</sup> June 2024
Top 250 listed entities	01 <sup>st</sup> August 2024	01 <sup>st</sup> December 2024



The contents provided in this newsletter are for information purpose only and are intended, but not promised or guaranteed, to be correct, complete and up-to-date. The firm hereby disclaims any and all liability to any person for any loss or damage caused by errors or omissions, whether such errors or omissions result from negligence, accident or any other cause.

B41-45, Paragon Centre,  
Pandurang Budhkar Marg, Mumbai – 400013  
Tel: 91-022-4073 3014  
E-mail Id: [info@nashahadvisors.com](mailto:info@nashahadvisors.com)