

STRATAGE UPDATES

Proposed Amendments to AIF Regulations

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SEBI has released a consultation paper to receive public comments on the *proposed amendments* to the AIF Regulations, 2012 by May 31, 2023 ([available here](#)), and an overview of the proposal is set out below:

- Category I and Category II AIFs to be *restricted from borrowing funds*, directly or indirectly, or engage in leverage, for *the purpose of making investments*, subject to certain exceptions;
- AIFs *to hold the instruments/ securities* of their investments only in *dematerialized* form, for the type of instruments/ securities where dematerialization is available;
- All AIFs, including AIFs having a corpus of *less than INR 500 crore*, to *mandatorily appoint a custodian* for safekeeping of securities of the AIFs;
- Large value fund for accredited investors to be permitted to *extend its tenure only up to 4 years*, subject to approval of two-thirds of the unitholders by value of their investment;
- AIFs to pay *renewal fee equal to 50% of its applicable registration fee* for a subsequent block of 5 years, as per the applicable timelines for payment.