FAQs

Funding Options

Alternative Investment Funds

1. What does Alternative Investment Funds stand for?

Alternative Investment Fund or AIF means any fund established or incorporated in India which is a privately pooled investment vehicle which collects funds from sophisticated investors, whether Indian or foreign, for investing it in accordance with a defined investment policy for the benefit of its investors. For more information, click here.

2. Can the registration of Venture Capital Funds be done again under SEBI (AIF)?

The venture capital funds (VCF) registered under the repealed SEBI (Venture Capital Funds) Regulations, 1996 shall continue to be regulated by the said regulations until existing fund is wound up and no new fund or scheme shall be launched after that under the said regulations. However, the existing VCF may seek re-registration under SEBI (Alternative Investment Funds) Regulations, 2012 subject to approval of two-third of its investors by the value of their investment. For more information, click here

3. What is the limit specified under AIF regulations for number of investors?

No scheme of an AIF (other than angel fund) shall have more than 1000 investors. (Please note that the provisions of the Companies Act, 1956 shall apply to the AIF if it is formed as a company). In case of an angel fund, no scheme shall have more than two hundred angel investors. However, an AIF cannot make invitation to the public at large to subscribe its units and can raise funds from the sophisticated investors only through private placement. Please refer to section 4(b), 10(f) and 19E(4) of SEBI (Alternative Investment Funds) Regulations, 2012 at the link for more information

4. What is included in fund of funds?

Fund of Funds, in general, is an investment strategy of holding a portfolio of other investment funds rather than investing directly in stocks, bonds or other securities. In the context of Alternative

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Investment Funds (AIF), a Fund of Fund is an AIF which invest in another AIF. For more information, click here

5. What does debt fund mean?

Debt fund is an Alternative Investment Fund (AIF) which invests primarily in debt or debt securities of listed or unlisted investee companies according to the stated objectives of the Fund. These funds are registered under Category II. For more information, click here.

6. What is the meaning of Angel Fund?

"Angel Fund ” is a sub-category of Venture Capital Fund under Category I Alternative Investment Fund that raises funds from angel investors and invests in accordance with the provisions of AIF Regulations. For more information, click here.

7. What are Category III AIFs?

Alternate Investment Funds (AIFs), which employ diverse or complex trading strategies and may employ leverage including through investment in listed or unlisted derivatives. Various types of funds such as hedge funds, PIPE Funds, etc. are registered as Category III AIFs. For more information, click here

8. What are Category II AIFs?

Alternative Investment Funds (AIF) which do not fall in Category I and III and which do not undertake borrowing other than to meet day-to-day operational requirements and as permitted in the SEBI (Alternative Investment Funds) Regulations, 2012 are Category II AIF. Various types of funds such as real estate funds, private equity funds, funds for distressed assets, etc. are registered as Category II AIF. For more information, click here

9. What are Category I AIFs?

Category I of the Alternative Investment Funds (AIF) include funds which invest in start-up, early stage ventures, social ventures, small & medium enterprises (SME), infrastructure or other sectors or areas which the Government or regulators consider as socially or economically desirable. It shall

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include venture capital funds, SME funds, social venture funds, infrastructure funds and such other AIF. For more information, click here

10. How can the investors redress their complaints against Alternative Investment Funds (AIFs)?

SEBI has a web-based centralized grievance redress system called SEBI Complaint Redress System (SCORES) where investors can lodge their complaints against AIFs. For more information, click here.

11. What is the system of getting enlistment as an Alternative Investment Fund from Securities and Exchange Board of India?

To get enlisted as an AIF from SEBI, the applicant shall make an application in Form A as provided in the SEBI (Alternative Investment Funds) Regulations, 2012 along with necessary supporting documents. Application fees of INR 1,00,000/- must be paid along with the application to SEBI. On receipt of approval from SEBI, Registration/re registration fee/scheme fee as applicable, may be paid. The application in Form A shall be submitted to the below mentioned address: Investment Management Department Division of Funds- 1 Securities and Exchange Board of India SEBI Bhavan, 3rd Floor A Wing, Plot No. C4-A, G Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051. For more information, click here

12. Can an Alternative Investment Fund (AIF) launch schemes?

Yes, an AIF may launch schemes subject to the filing of placement memorandum with SEBI. In terms of scheme fees, INR 1 lakh should be paid to SEBI by an AIF at least 30 days prior to the launch of a scheme. However, payment of scheme fees shall not be applicable in case of the launch of the first scheme by the AIF (other than angel fund) and to angel funds. For more information, click here

13. What is an Angel Investor?

"Angel investor" means any person who proposes to invest in an angel fund and satisfies one of the following conditions, namely, Net tangible assets of at least INR 2 cr excluding value of his principal residence, and who: has early stage investment experience, or has experience as a serial entrepreneur, or is a senior management professional with at least ten years of experience A body corporate with a net worth of at least INR 10 cr, or An AIF/ VCF registered under these regulations.

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For more information, click here.

14. What is the enrolment charge to be paid by an Alternative Investment Fund?

Registration fee to be paid by an AIF is as under: Category I Alternative Investment Funds - INR 5,00,000 Category II Alternative Investment Funds - INR 10,00,000 Category III Alternative Investment Funds - INR 15,00,000 Angel Funds - INR 2,00,000 For more information, click here.

15. Is an AIF allowed to make a solicitation to general society to buy in to its securities?

No, AIFs are privately pooled investment vehicles. AIFs shall raise funds through private placement by issue of information memorandum or placement memorandum, by whatever name called. As an eligibility criterion for registration as an AIF, the applicant is required to be prohibited by its memorandum and articles of association/ trust deed/ partnership deed from making an invitation or solicitation to the public to subscribe to its securities. For more information, click here.

16. Could an Alternative investments funds dispatch a reserve/plan of any size?

No, each scheme of the Alternative Investment Fund (other than angel fund) shall have corpus of at least INR twenty crore. In case of an angel fund, it shall have a corpus of at least INR ten crore. For more information, click here.

17. What are the reporting requirements to SEBI for Alternate Investment Funds registered with SEBI?

As per circular No.CIR/IMD/DF/10/2013 dated 29th July, 2013, Category I and II AIFs and the Category III AIFs which do not undertake leverage are required to submit report to SEBI on a quarterly basis while Category III AIFs which undertake leverage are required to submit the reports on a monthly basis. The formats for such reports are provided as a part of the said circular. All AIFs shall submit the report irrespective of whether or not the AIF has started activity. Currently, all AIFs shall send reports to SEBI by email to aifreporting@sebi.gov.in. No physical reports are required to be filed with SEBI. For more information, click here.

18. In what classifications can a candidate look for enrolment as an AIF?

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Applicants can seek registration as an AIF in one of the following categories, and in sub-categories thereof, as may be applicable Category I AIF: Venture capital funds (Including Angel Funds) SME Funds Social Venture Funds Infrastructure funds Category II AIF Category III AIF For more information, click here.

19. In which authoritative documents can an Alternative Investment Fund be set up?

An alternative investment fund (AIF) under the SEBI (Alternative Investment Funds) Regulations, 2012 can be established or incorporated in the form of a trust or a company or a limited liability partnership or a body corporate. For more information, click here

20. What is the upper limit for investors under Alternative Investment Fund (AIF)?

No scheme of Alternative Investment Fund (AIF) shall have more than 1,000 investors, subject to the provisions of the Companies Act, 1956 if the AIF is formed as a company. For more information, click here

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