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Sr. No.	Proposal	Confirmity to Proposal	Comments	Rationale
1	Do you agree with the long-term vision of gradual transition from 'minimum commitment threshold' to 'only accreditation status' as a metric of risk sophistication of an investor in an AIF, in a gradual and consultative manner?	Disagree	<p>We appreciate SEBI's efforts to help ease the regulations for an Accredited investor in AIF. However, while we acknowledge that the existing 'minimum commitment threshold' of INR 1 crore, stipulated in 2012, may have shortcomings in truly reflecting an investor's risk-taking ability and financial health. We believe a complete transition away from this metric to 'only accreditation status' in the long term requires careful consideration.</p> <p>1. Maintaining Thresholds for Complex AIFs: Certain categories of AIFs, particularly Category I and Category II, involve more complex private market strategies and require a higher level of understanding and sophistication. Simply being an accredited investor, based on income or net worth criteria, may not inherently confer the necessary sophistication for these riskier investment classes</p> <p>2. Need for Robust Investor Due Diligence: We believe that even those investors meeting accreditation criteria, may be "very intrigued with the idea of private equity and venture capital and all those stuff but then they are not really wary of the risk profile of the investments". Therefore, a robust assessment of investor knowledge and understanding of the investment product's features and associated risks is crucial. This might necessitate additional, more restrictive due diligence measures focusing on the investor's know-how, rather than solely relying on financial thresholds or accreditation status. However, some leeway could be given to investors who can demonstrate past knowledge and experience through a more stringent authentication process than just voluntary declarations.</p> <p>3. Coexistence with Enhancements: While a gradual transition is envisioned, we propose that the minimum commitment threshold should continue to exist, particularly for specific AIF categories, and be complemented by a strengthened accreditation process that includes a more stringent assessment of an investor's demonstrated knowledge and experience, moving beyond a mere "tick-box exercise". This approach would help maintain the integrity of investor protection while allowing for evolving market dynamics.</p>	While acknowledging the need to make AIFs more accessible (especially given competition from SIFs) and the significant growth in wealth in India, any lower thresholds must be properly hedged with understanding and authentication
2	Do you agree that, in the interim, both the metrics may co-exist by providing the option of a separate type of AIF scheme that on-boards only Accredited Investors ("AI-only schemes"), with a lighter-touch regulatory framework?	Strongly Agree	<p>We strongly agree with the proposal to allow both metrics to coexist in the interim by providing AIFs the option to launch AI-only schemes with a lighter-touch regulatory framework.</p> <p>1. Gradual Transition and Market Adaptation: An immediate, complete transition to AI-only schemes would be disruptive to the current AIF ecosystem. Allowing coexistence facilitates a gradual and consultative transition, enabling the market to adapt.</p> <p>2. A lighter-touch approach for highly sophisticated, large net-worth clients with demonstrable track records would allow the industry to create bespoke solutions and foster innovation</p> <p>3. It could also help lower the minimum investment threshold or the minimum number of investors needed for a fund's sustainability. This approach would make it easier to segregate investors based on their know-how, investment history, and risk profiles</p>	This approach provides AIFs with the flexibility to cater to different investor segments and encourages innovation in creating bespoke solutions for highly sophisticated, large net-worth clients
3	Exemption from the requirement of maintaining pari-passu rights among investors of a fund/scheme, subject to a waiver provided by each investor (i.e., allowing differential voting rights)	Strongly Agree	<p>We support differential rights for anchor investors or those who make significantly larger commitments to a fund. We believe that investors who take a "first-mover risk" by making large anchor investments (e.g., 10-15% of a fund's corpus) should be accorded differential rights or higher weightage in voting. We believe that it is rational and fair that anchor investors due to their significantly larger monetary contributions, possibly relating to portfolio investments rather than final decision-making. The consultation paper already noted that this exemption already exists for Large Value Funds (LVFs) due to the sophistication of their investors</p> <p>- Facilitating Bespoke Solutions: Allowing differential rights can enable fund managers to structure more tailored arrangements, particularly for large institutional or sophisticated individual investors, thereby promoting greater investment into AIFs</p>	
4	AI Funds may be permitted to extend term up to 5 years, subject to consent of two-thirds of the investors by value of their investment in the fund/scheme.	Strongly Agree	<p>We agree with permitting AI Funds to extend their term up to 5 years, subject to consent from two-thirds of the investors by value of their investment.</p> <p>1. Operational Flexibility for Private Markets: This extension provides crucial operational flexibility, particularly for AIFs investing in private structures and unlisted assets, where investment horizons are typically longer and achieving exits within a 2-year extension period (current norm) may be challenging</p> <p>2. Investor Consent as a Safeguard: The requirement for consent from two-thirds of the investors (by value) serves as an adequate safeguard, ensuring that the decision to extend the fund's tenure is in the collective best interest of the majority of investors</p>	
5	Exemption from NISM certification requirement for key investment team of the manager of AIFs having only AI only schemes.	Disagree	<p>We disagree with a complete exemption from the NISM certification requirement for the key investment team of the manager of AI-only schemes</p> <p>1. Importance of Core Competence: While Accredited Investors are deemed capable of independent due diligence, the NISM certification ensures a baseline level of knowledge and competence for the fund manager's investment team. This is essential for managing sophisticated investment vehicles like AIFs, regardless of the investor's sophistication.</p> <p>2. Not a Burdensome Requirement: The NISM certification exam is generally not considered a significantly burdensome requirement.</p> <p>3. Alternative for Renewals: Instead of outright exemption, we propose a more practical approach for renewing certifications. Similar to recent changes in other regulatory frameworks (e.g., 10B), SEBI could consider allowing renewals based on Continuing Professional Education (CPE) credits or similar ongoing education modules rather than requiring re-taking the full examination every few years. This would ensure continuous learning and updated knowledge without imposing an unnecessary administrative burden.</p>	We believe that NISM exam is important and fund managers should possess the certification, which was not considered a difficult requirement. AIFs are sophisticated vehicles to manage, requiring the expertise demonstrated by such certification
6	Exemption from restriction on maximum number of investors in a scheme.	Strongly Agree	<p>We strongly agree with granting AI-only schemes exemption from the restriction on the maximum number of investors in a scheme (currently capped at 1000).</p> <p>1. Increased Accessibility and Diversification: Removing the 1000-investor limit would allow more Accredited Investors to participate in AI-only schemes, potentially at lower ticket sizes (e.g., INR 10 lakhs). This increased participation facilitates greater diversification opportunities for investors and makes these products more accessible to a wider pool of accredited individuals.</p> <p>2. Enhanced AUM and Fund Viability: For fund houses, especially those catering to a broader base of accredited investors with smaller ticket sizes, this exemption is crucial for creating a significant Assets Under Management (AUM) and ensuring the commercial viability and sustainability of their schemes</p> <p>3. Regulatory Philosophy for Sophisticated Investors: Given that AI-only funds are exclusively for Accredited Investors who are deemed capable of making informed decisions, the rationale behind restricting the number of investors from an investor protection viewpoint becomes less relevant</p>	Removing this limit would allow fund houses to build significant AUM by attracting more investors at lower ticket sizes
7	Extant responsibilities on the trustee of the fund shall solely rest with the manager, subject to the terms of agreement between the manager and the trustee and the fund documents.	Strongly Disagree	<p>We disagree with the proposal that the extant responsibilities of the trustee of the fund should solely rest with the manager for AI-only schemes.</p> <p>1. Essential Checks and Balances: The trustee plays a vital role in the AIF structure, particularly in a trust-based model. They hold the property for the benefit of beneficiaries and are responsible for managing and administering the trust property in accordance with the trust deed. This creates an essential layer of checks and balances and oversight over the operations of the fund and the manager</p> <p>2. Mitigating Principal-Agent Conflicts: Consolidating all responsibilities solely with the manager could exacerbate potential principal-agent conflicts. With the anticipated exponential growth of the AIF industry, maintaining independent oversight mechanisms, such as the trustee's role, is crucial for investor protection and preserving market integrity, especially in scenarios involving potential malafide interests from the fund manager</p> <p>3. Safeguarding Investor Interests: The responsibilities cast upon the trustee were primarily from an investor protection standpoint. Even with Accredited Investors, having an independent entity (the trustee) to act in the interest of beneficiaries provides an important safeguard, ensuring that the fund is managed appropriately and in compliance with regulations.</p>	The trustee's role provides a critical check, especially as the industry is expected to undergo "huge exponential growth," and regulators need to maintain oversight through this role