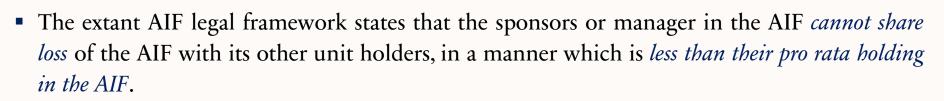
STRATAGE UPDATES

Schemes with Priority Distribution Model by AIFs

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Copyright 2022 © Stratage Law Partners. All rights reserved. SEBI has issued a circular in relation to the schemes of Alternative Investment Funds ("AIFs") that have adopted the priority in distribution model, and has observed the following:



- However, there is no express provision under the extant legal framework that different class of investors or unit holders of an AIF have to share loss in proportion to their holding in the AIF.
- SEBI noted that there are several schemes of AIF that have adopted a distribution waterfall ("Schemes with Priority Distribution Model") to attribute more loss to a class of investors (A) regardless of their holding in the AIF vis-à-vis the holding of other class of investors (B), as B has priority in the distribution waterfall of the AIF.
- In light of the above, the Schemes with Priority Distribution Model are not permitted to make any *investment in a new investee company* or *accept any fresh commitment* till SEBI has taken a view in relation to such schemes.

The aforesaid was notified by SEBI vide a notification dated November 23, 2022 (available here).

