

Conditions for Foreign Investment in AIFs

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SEBI has issued certain conditions in respect of foreign investment in Alternative Investment Funds (“AIFs”), wherein the *manager of an AIF* is required to *ensure the following* at the time of and pursuant to onboarding *investors* to schemes of AIF:



- A *foreign investor* should be a resident of a country whose *securities market regulator is a signatory to* the: (i) International Organization of Securities Commission’s Multilateral Memorandum of Understanding; or (ii) Bilateral Memorandum of Understanding with SEBI.
- The investor can be the Government or Government related investor who does not meet the aforesaid requirement, *provided that*, the resident country *of such investor has been approved by the Government of India*.
- The investor, or its *underlying investors* who are *contributing 25% or more* in the corpus of the investor or have been identified on the basis of *control*, should not be persons in violation of the Sanction List notified by the UN Security Council and Public Statement of Financial Action Task Force.

Once an investor has been on-boarded and then subsequently fails to continuously meet the aforesaid conditions, the manager of the AIF cannot drawdown any *further capital contribution* from such investors, till such investor complies with the conditions again.

The aforementioned conditions was issued by SEBI vide a circular on December 9, 2022 ([available here](#)) and would come into force with immediate effect.