To,
Securities and Exchange Board of India
Via email to aif-suggestion@sebi.gov.in

6th November, 2023

Sub: Suggestions to working group on SEBI (AIF) Regulations, 2012

At the outset, we, at Indian Association of Investment Professionals (IAIP), a member society of the CFA Institute, appreciate the opportunity to submit our suggestions to the working group on SEBI (AIF) Regulations, 2012 on simplification, ease of compliance and reduction in cost of compliance.

IAIP is an association of over 2000 local investment professionals who are CFA charterholders and about 6000+ professionals who have cleared exams, eligible and awaiting charter. The Association consists of valuation professionals, portfolio managers, security analysts, investment advisors, and other financial professionals that promote ethical and professional standards within the investment industry, facilitate the exchange of information and opinions among people within the local investment community and beyond, and work to further the public's understanding of the CFA designation and investment industry.

CFA Institute is a global non-profit association of investment professionals with over 170,000 members in over 165 countries. In India, the community of CFA charterholders is represented by the Indian Association of Investment Professionals(CFA Society India).

Through our global research and outreach efforts, CFA Societies around the world endeavour to provide resources for policy makers, financial services professionals and their customers in order to align their interests. Our members engage with regulators in all major markets.

The recommendations put forth in our response below are with the view to not only simplify, ease, and reduce cost of compliance within the AIF industry but also deepen and promote the growth of the AIF industry.

We would be happy to hear and discuss the suggestions proposed by other practitioners and request to be included in the deliberation process.

A. Details of our Organisation:

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B. Key Contributors:

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C. Suggestions / Comments:

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Sl.No	Nature of Suggestion	Suggestion/Comments	Rationale
1	Market Developmental Recommendations	Allow Angel Funds (Cat1 AIFs) to invest in companies other than startups	The Angel funds are mandated to invest in startups and typically invests in very early stage companies. However, as the companies grow and mature on various metrics, they may no longer a start-up as per the definition. For such winners, the Angel fund loses the right to make further investment. This restriction in effect devoid the investment manager the upside of winners and hence generating higher returns for its investors.
2	Market Developmental Recommendations	Make SEBI Officials more accessible	The regulatory officials need to become more accessible, as only email as mode of active interaction can become unfeasible in critical matters where time is of essence. The contact details on the signatures of the SEBI officials are not working or goes unanswered
3	Market Developmental Recommendations	Enhance Investor Reporting	We may require AIF managers to obtain and distribute to investors an annual audit for each private fund such AIFs manage, alongside a fairness or valuation opinion from an independent opinion provider in connection with an AIFs transaction. Also distribute to such investors a written summary of any key relationships with the independent opinion provider.
4	Market Developmental Recommendations	Reduce Custodial Expenses for AIFs with smaller AUMs	The AIFs are required to have Custodians. Typically banks and other entities provide the custodial services and charge about INR 15-20k per month. Such costs are quite high for smaller fund managers as most of the custodial services are statutory in nature and compliance-oriented reporting. If this costs

			can be reduced further by recommendations to custodians, it will largely benefit AIFs with smaller fund corpus
5	Market Developmental Recommendations	Clarity on CIPM (Co-investment Portfolio Manager)	Funds that provide co-investment opportunities to LPs need to obtain a COPM license. This classifies the entity as a PMS, even though it is not a true PMS. We request clarity on whether all PMS compliances apply to COPM license holders. Hence if this can be deliberated too in regards to reduce ambiguity.
6	Market Developmental Recommendations	Relaxations for FORM DI akin to Mutual Fund Industry	AIFs (CAT-III) invest in listed securities. Per RBI, Form DI is required to be filed by all AIFs (covered under definition of "Investment Vehicle") if the sponsor or manager entity is controlled by foreign entity. However, overall MFs, even if controlled by foreign entities, are specifically exempted from filing such forms. More so Form DI are extremely onerous as separate login details have to be created for each downstream investment in listed security, adding to compliance cost and burden. Similar to Mutual Funds, relaxation should be provided to AIFs (CAT – III) funds too.
7	Market Developmental Recommendations	Clarity on tax treatment	For a AIFs (CAT -III), there is no clarity on the tax treatment in the hands of the end investors, at the time of redemption of units, which ideally should be tax exempt, when those are specifically taxed at Fund level. MOF should come with clarification on the same

Thank you again for the opportunity to comment on this important regulatory framework. If you or your staff have questions or seek further clarification, please do not hesitate to contact Mr. Ravi Gautham, CFA at +91 99021 17087 or at advocacy@iaipirc.org.

Sincerely yours,
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Chairperson - Research and Advocacy Committee
Indian Association of Investment Professionals, Member Society of CFA Institute