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MASTER COMPLIANCE DOCKET

Alternative Investment Funds (AIFs)

What an AIF Can and Cannot Do

Do's & Don'ts • Category & Sub-Category Wise Rules • Implications • Regulation & Circular References

Covering Category I (Venture Capital, SME, Social Impact, Infrastructure, Angel & Special Situation Funds), Category II, Category III (including Large Value Funds), and the Accredited Investor Framework

Built on the SEBI (Alternative Investment Funds) Regulations, 2012 (as amended) and the SEBI Master Circular for AIFs (Ref. HO/19/34/11(6)2025-AFD-POD1/I/12928/2026, issued June 3, 2026)

Prepared for Client & Staff Reference

July 2026

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Do's & Don'ts • Category & Sub-Category Wise Rules • Implications • Regulation/Circular-Wise Reference

Prepared for internal staff training and client/junior-staff education

Built on the SEBI (Alternative Investment Funds) Regulations, 2012 (as amended up to the Second Amendment Regulations dated September 9, 2025), and the SEBI Master Circular for AIFs, Ref. HO/19/34/11(6)2025-AFD-POD1/I/12928/2026 (issued June 3, 2026; last updated June 16, 2026) — which supersedes and rescinds the earlier Master Circular dated May 7, 2024.

How To Use This Docket

This docket is designed so that any staff member — ours or a client's — can independently answer "can an AIF do X" or "what happens if an AIF does Y" without escalating every question to the Principal.

- Each topic follows the same structure: a short explanation → a **✓ CAN DO / ✗ CANNOT DO** table → **Implications if breached** → the exact Regulation/Circular reference.
- Percentages, limits, and timelines are stated exactly as they appear in the Regulations/Master Circular as of this docket's date — **always re-verify against the live SEBI website before using a figure in a signed opinion**, since AIF Regulations are amended frequently (this docket alone reflects amendments from 2013 through 2026).
- Part R is a master Regulation-reference table. Part S is a Master Circular chapter-reference table. Use both to cite exact authority in any client communication.
- "AIF" below means an Alternative Investment Fund registered under the SEBI (Alternative Investment Funds) Regulations, 2012 ('AIF Regulations'), covering all schemes under Category I, II, and III unless a specific category/sub-category is stated.

Golden rule for staff: if a question is not answered here, do NOT guess — check Part R/S for the relevant Regulation/circular, or escalate. Never give a verbal compliance opinion that is not traceable to a Regulation or circular.

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Part A — Regulatory Architecture at a Glance

A.1 What is an AIF and who must register?

Any privately pooled investment vehicle (trust, company, LLP, or body corporate) that collects funds from investors, Indian or foreign, for investing per a defined investment policy for the benefit of its investors, must be registered with SEBI as an AIF — unless it falls within an excluded category (e.g., family trusts set up for the benefit of relatives, ESOP trusts, employee welfare trusts, holding companies, other SEBI-regulated vehicles like mutual funds/REITs/InvITs, or securitisation trusts).

✓ MUST REGISTER	✗ DOES NOT NEED AIF REGISTRATION
A pooled vehicle raising money from multiple investors to invest per a common strategy for their benefit.	A family trust set up for the benefit of 'relatives' as defined under the Companies Act, 2013.
A vehicle (trust/company/LLP) that intends to solicit or accept commitments from sophisticated investors under a PPM.	An ESOP trust or other employee welfare trust set up under SEBI/other applicable regulations.
A vehicle proposing to invest predominantly in unlisted securities/venture undertakings/structured products for third-party investors.	A holding company as defined under Companies Act, 2013, s.2(46).
A vehicle pooling capital from **multiple, unrelated families** (multi-family office).	A vehicle regulated under another specific SEBI regulation (Mutual Funds, REITs, InvITs) or other repealed/excluded categories under Regulation 2(1).

*Regulatory reference:** Regulation 2(1)(b) (definition of AIF), Regulation 3 (registration requirement and exclusions), AIF Regulations, 2012.*

A.2 The Three Categories — At a Glance

Category	Core Character	Leverage	Tax Treatment
Category I	Start-ups, early-stage ventures, SMEs, social ventures, infrastructure — sectors considered to have positive economic spillover. Sub-categories: Venture Capital Fund, SME Fund, Social Impact Fund, Infrastructure Fund, Angel Fund.	Generally prohibited, save narrow temporary borrowing exception (Part I).	Pass-through (Income-tax Act, s.224 — erstwhile s.115UB).
Category II	Residual/catch-all — PE, debt, real estate, fund-of-funds. No sectoral mandate.	Same narrow temporary borrowing exception as Category I.	Pass-through.
Category III	Complex/diverse trading strategies, including leverage via listed/unlisted derivatives. Includes Large Value Funds (LVF) for Accredited Investors.	Permitted up to 2x NAV, subject to conditions (Part I).	Fund-level (no pass-through).

*Regulatory reference:** Regulation 3(4), 10 (categories), 16 (Cat I conditions), 17 (Cat II conditions), 18 (Cat III conditions), AIF Regulations, 2012.*

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A.3 Registration Essentials

✓ DO	✗ DON'T
Register each scheme's PPM with SEBI (through a merchant banker) before launch.	Launch a scheme or accept investor commitments before the scheme's PPM is filed/on-boarded per Chapter 2 of the Master Circular.
Confirm sponsor/manager 'fit and proper person' status and minimum experience/net worth criteria are met before applying.	Assume registration, once granted, is a one-time event — fit-and-proper status and key personnel eligibility must be maintained on a continuing basis.
File a fresh scheme PPM under an existing AIF registration for each new scheme launched.	Assume a single AIF registration restricts the manager to only one scheme — multiple schemes may be launched under one registration.

*Regulatory reference:** Regulation 3, 4 (eligibility), 9, 11 (schemes), 12 (PPM) AIF Regulations, 2012; Chapter 1–2, SEBI Master Circular for AIFs.*

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Part B — General Investment Conditions Applicable to ALL AIFs (Regulation 15)

These conditions apply across Category I, II, and III unless a category-specific provision overrides them.

B.1 What Every AIF CAN Do

✓ CAN DO	Regulatory Reference
Invest in securities of companies incorporated outside India, subject to RBI/SEBI conditions, up to a combined USD 1,500 million overall industry limit; individual scheme cap of 25% of investable funds.	Reg. 15(1)(a); Chapter 5, Master Circular (Circular SEBI/HO/AFD-1/PoD/CIR/P/2022/108 dated Aug 17, 2022)
Invest in units of other AIFs (without needing to label itself a 'fund of funds'), subject to PPM disclosure of allocation, fees, and process to ensure Reg. 15/16/17/18 compliance.	Reg. 15(1)(c)/(d); Chapter 4.1, Master Circular (Circular SEBI/HO/IMD-I/DF6/P/CIR/2021/584 dated June 25, 2021)
Buy Credit Default Swaps (CDS) on debt securities held, for hedging (Cat I & II) or for hedging/otherwise within leverage limits (Cat III).	Reg. 16(1)(aa), 17(da), 18(ab); Chapter 4.2, Master Circular (Circular SEBI/HO/AFD/PoD/CIR/2023/15 dated Jan 12, 2023)
Invest un-invested/divestment-pending funds in liquid mutual funds, bank deposits, T-bills, TREPS, CPs, CDs pending deployment/distribution.	Reg. 15(1)(f)
Act as a Nominated Investor under ICDR Regulations.	Reg. 15(1)(g)
Hold investments in dematerialised form (mandatory, with narrow exceptions for non-demat-eligible instruments/liquidation schemes).	Reg. 15(1)(i) (inserted 2024)
Invest in associates/AIFs managed by the same Manager/Sponsor group — **with 75% investor-by-value approval.**	Reg. 15(1)(e)
Buy/sell investments from/to associates, group AIFs, or an investor who has committed ≥50% of scheme corpus — **with 75% investor-by-value approval** (that specific investor excluded from voting if it is the counterparty).	Reg. 15(1)(ea)

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B.2 What NO AIF Can Do (General Prohibitions)

✗ CANNOT DO	Implication if Breached	Regulatory Reference
Cannot invest >25% of investable funds in one Investee Company (Cat I & II) — see Part I for Cat III's 10% limit.	Passive breach of concentration norm must be rectified within 30 days from date of breach; deliberate breach is a regulatory violation exposing the AIF/Manager to SEBI action.	Reg. 15(1)(c); Chapter 7.1.3(c), Master Circular
Cannot invest in associates/group AIFs, or buy/sell to associates/group entities/a ≥50%-committed investor, **without** 75% investor-by-value approval.	Related-party transaction executed without approval is a Reg. 15 violation — treat as a related-party governance failure requiring immediate remediation and disclosure.	Reg. 15(1)(e), (ea)
Cannot invest in an overseas investee company incorporated in an FATF-	Investment is non-compliant from inception; SEBI action possible;	Reg. 15(1)(a); Chapter 5.1.5, Master Circular

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✗ CANNOT DO	Implication if Breached	Regulatory Reference
identified high-risk/non-cooperative jurisdiction.	overseas limit utilisation report would also be inaccurate.	
An AIF authorised to invest in units of other AIFs cannot itself offer its own units for subscription to other AIFs (no circular fund-of-funds chains).	Structuring violation — SEBI may treat this as regulatory arbitrage; registration/scheme approval risk.	Reg. 15(1)(da)
Cannot hold investments outside dematerialised form, except for the narrow carve-outs (non-demat-eligible instruments, liquidation scheme holdings, other Board-specified exceptions).	Non-compliant holding structure — flagged in AAR/LQAR and audit; remediation required.	Reg. 15(1)(i)
A pooling vehicle cannot be created solely to invest in an AIF unless that pooling vehicle is itself SEBI-registered as an AIF.	Structuring circumvention — SEBI may look through the structure; registration exposure for the pooling vehicle itself.	Circular CIR/IMD/DF/14/2014 dated June 19, 2014; Chapter 4.1.4, Master Circular



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Part C — Category I AIF: General Conditions (Regulation 16(1))

C.1 What a Category I AIF CAN Do (applies to ALL Cat I sub-categories)

✓ CAN DO	Regulatory Reference
Invest in investee companies, venture capital undertakings, SPVs, LLPs, units of other Cat I AIFs of the same sub-category, or units of Cat II AIFs as specified.	Reg. 16(1)(a)
Engage in hedging, including CDS, per Board-specified conditions.	Reg. 16(1)(aa)
Borrow for temporary funding/day-to-day operational requirements, **only** within the narrow limit at C.2 below.	Reg. 16(1)(c)
Create encumbrance on equity of an investee company engaged in infrastructure sub-sectors (per the Harmonised Master List of Infrastructure), solely to enable that investee company's own borrowing.	Proviso to Reg. 16(1)(c)

C.2 What a Category I AIF CANNOT Do

✗ CANNOT DO	Implication if Breached	Regulatory Reference
Cannot borrow/leverage for investment purposes at all — the ONLY exception is temporary funding for ≤30 days, on ≤4 occasions/year, capped at ≤10% of investable funds.	Any borrowing outside this narrow window is an unauthorised leverage violation — a serious Reg. 16 breach given Cat I's no-leverage design philosophy.	Reg. 16(1)(c)
Cannot create encumbrance on investee equity **except** for the infrastructure sub-sector carve-out above.	Encumbrance outside the carve-out is void/non-compliant and exposes both fund and investee financing arrangement to challenge.	Proviso, Reg. 16(1)(c)
Cannot invest in units of other AIFs' Fund-of-Funds structures (i.e., cannot itself become a second-layer fund-of-funds of a fund-of-funds).	Structuring non-compliance.	Reg. 15(1)(da) read with Reg. 16(1)(a)

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Part D — Category I Sub-Categories: Specific Rules

D.1 Venture Capital Fund (VCF) Sub-Category

✓ CAN DO	✗ CANNOT DO
Must invest **≥75% of investable funds** in unlisted equity/equity-linked instruments of a venture capital undertaking, or in SME-exchange listed/proposed-to-be-listed companies — **achievable by end of fund life cycle**, not immediately.	Cannot fall short of the 75% threshold by the end of the fund's tenure — this is a hard structural condition, not a target.
May tie up with a merchant banker to subscribe to unsubscribed IPO issue portions / market-making under ICDR Chapter IX.	—
Exempt from PIT Regulations 3(1)/3(2)/4(1) for SME-exchange investments made pursuant to due diligence, **subject to**: (i) disclosure of trading within 2 trading days to the relevant exchange; (ii) 1-year lock-in on such investment.	Cannot claim the PIT exemption without both the 2-day disclosure AND the 1-year lock-in — both conditions are mandatory, not alternative.

*Regulatory reference:** Reg. 16(2), (3rd proviso as amended 2018/2021).*

D.2 SME Fund Sub-Category

✓ CAN DO	✗ CANNOT DO
Must invest **≥75% of investable funds** in unlisted securities/partnership interest of SME venture undertakings, SME-exchange listed/proposed companies, or units of Cat II AIFs investing primarily in such undertakings.	Same PIT exemption conditions as VCF apply — 2-day disclosure + 1-year lock-in, both mandatory.

*Regulatory reference:** Reg. 16(3).*

D.3 Social Impact Fund Sub-Category (formerly "Social Venture Fund")

✓ CAN DO	✗ CANNOT DO
Must invest **≥75% of investable funds** in unlisted securities/partnership interest of social ventures, or securities of social enterprises.	Grants accepted from any single person **cannot be less than ₹10 lakh** (minimum grant floor does not apply to Accredited Investors).
May accept **grants**, restricted in use to the fund's social-venture investment purpose.	No profits/gains may accrue to the grant provider — a grant structured to generate a return for the provider is non-compliant.
May **give** grants to social ventures/enterprises, with PPM disclosure.	—
A fund/scheme launched **exclusively** for a not-for-profit organisation registered/listed on a Social Stock Exchange may deploy **100%** of investable funds into such NPO securities (special carve-out).	An existing Social Impact Fund investing the balance in NPO securities on a Social Stock Exchange needs **prior consent of ≥75% of investors by value** to do so — cannot do this unilaterally.

*Regulatory reference:** Reg. 16(4), as amended by AIF (Third Amendment) Regulations, 2022 (renamed from "social venture" to "social impact").*

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D.4 Infrastructure Fund Sub-Category

✓ CAN DO	✗ CANNOT DO
Must invest **≥75% of investable funds** in unlisted securities/units/partnership interest of infrastructure-project venture undertakings, investee companies, or SPVs — or units of Cat II AIFs investing primarily in such entities.	—
May **also** invest in **listed** securitised debt instruments or listed debt securities of infrastructure investee companies/SPVs (an exception to the "unlisted" thrust).	Cannot treat this listed-debt allowance as license to abandon the 75% unlisted-infrastructure threshold — it is additive, not a substitute.

*Regulatory reference:** Reg. 16(5).*

D.5 Angel Fund Sub-Category (Chapter III-A, Regulations 19A onward)

✓ CAN DO	✗ CANNOT DO
May raise funds **only from Accredited Investors** — Angel Funds no longer raise from "Angel Investors" as a separate lighter-touch category (definition tightened by the Second Amendment Regulations, 2025).	Cannot launch a co-investment scheme (CIV) — Angel Funds are expressly excluded from the CIV route under Reg. 17A(3) proviso.
Key management personnel of the Angel Fund/its manager may themselves qualify as "angel investors" and invest in the fund.	—

*Regulatory reference:** Reg. 19A (definitions), Chapter III-A AIF Regulations (as substantially revised by the AIF (Second Amendment) Regulations, 2025, dated Sept 9, 2025); Chapter 8, Master Circular.*

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Part E — Category II AIF: Specific Rules

E.1 What a Category II AIF CAN Do

✓ CAN DO	Regulatory Reference
Invest in investee companies or units of Category I or other Category II AIFs, as disclosed in the PPM.	Reg. 17(a)
Explanation clarifies: Category II AIFs shall invest **primarily** in unlisted securities and/or listed debt securities (including securitised debt instruments) rated 'A' or below by a registered credit rating agency — 'primarily' means the main thrust of the portfolio, measured against the aggregate of other investments.	Reg. 17(a) Explanation; Chapter 4.4.2, Master Circular (Circular CIR/IMD/DF/14/2014 & CIR/IMD/DF/16/2014)
Engage in hedging, subject to Board guidelines.	Reg. 17(d)
Buy/sell CDS per Board-specified conditions.	Reg. 17(da)
Enter merchant banker agreements for unsubscribed-issue subscription/market-making under ICDR Chapter IX.	Reg. 17(e)
Claim the same PIT exemption as Cat I VCF/SME funds for SME-exchange due-diligence investments (2-day disclosure + 1-year lock-in).	Reg. 17(f)

E.2 What a Category II AIF CANNOT Do

✗ CANNOT DO	Implication if Breached	Regulatory Reference
Cannot borrow/leverage for investments — **same narrow exception** as Cat I: ≤30 days, ≤4 occasions/year, ≤10% of investable funds, temporary funding/operational needs only.	Unauthorised leverage — serious Reg. 17 breach.	Reg. 17(c)
Cannot create encumbrance on investee equity except the same infrastructure sub-sector carve-out as Cat I.	Non-compliant encumbrance.	Proviso, Reg. 17(c)
Portfolio cannot be predominantly listed-equity-driven if the fund holds itself out as Category II — 'primarily unlisted' is a structural expectation, not a loose guideline.	SEBI may question the fund's continued Category II classification/registration basis if the "primarily" thrust is not genuinely unlisted.	Reg. 17(a) Explanation

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Part F — Category III AIF: Specific Rules (Including Large Value Funds)

F.1 What a Category III AIF CAN Do

✓ CAN DO	Regulatory Reference
Invest in securities of listed or unlisted investee companies, derivatives, units of other AIFs, or complex/structured products.	Reg. 18(a)
Deal in goods received on physical settlement of commodity derivatives.	Reg. 18(aa)
Buy/sell CDS per Board-specified conditions.	Reg. 18(ab)
Engage in leverage/borrowing, subject to (i) investor consent and (ii) a maximum limit specified by SEBI — currently **2x the scheme's NAV** — with periodic disclosure of leverage sources/levels to investors and SEBI.	Reg. 18(c); Chapter 7.2, Master Circular (Circular CIR/IMD/DF/10/2013 dated July 29, 2013)
Choose to calculate the investment concentration norm on **either** investable funds **or** NAV basis — but the chosen basis **cannot be changed** during the scheme's term, and must be disclosed in the PPM.	Reg. 15(1)(d) proviso; Chapter 7.1, Master Circular
Large Value Funds (LVF) for Accredited Investors (Cat III) may invest up to **20% of NAV in listed equity** and up to **20% of investable funds** in non-listed-equity investee company exposure (vs. the standard 10%/10%).	Reg. 15(1)(d) proviso (LVF carve-out)

F.2 What a Category III AIF CANNOT Do

✗ CANNOT DO	Implication if Breached	Regulatory Reference
Cannot invest >10% of investable funds/NAV (whichever basis elected) in one Investee Company — 20% for LVFs.	**Passive breach** (market movement pushing value over the limit) must be rectified within **30 days**. Active/deliberate breach is a direct regulatory violation.	Reg. 15(1)(d); Chapter 7.1.3(c), Master Circular
Cannot exceed **2x NAV leverage** at any time — gross exposure (longs + shorts after permitted offsetting) ÷ NAV must not exceed 2.	See F.3 below for the full breach-remediation sequence — non-compliance triggers same-day custodian reporting and next-working-day SEBI reporting via the custodian.	Reg. 18(c); Chapter 7.2.3, 7.3, Master Circular
Cannot include idle cash/cash equivalents in exposure calculation (this would understate risk, not overstate it, so it is excluded by design, not prohibited — noted for accuracy).	N/A (clarificatory, not prohibitive)	Chapter 7.2.7, Master Circular
Cannot allow an open-ended scheme's corpus to remain below **₹20 crore** beyond the cure period.	See F.4 below.	Reg. 10(b); Chapter 7.6, Master Circular (Circular CIR/IMD/DF/14/2014)
Cannot resume new subscriptions while redemptions are suspended.	Breach undermines the very purpose of the suspension (protecting existing investors) — a serious governance failure if discovered.	Chapter 7.5.6, Master Circular

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✗ CANNOT DO	Implication if Breached	Regulatory Reference
Cannot change the investment-concentration calculation basis (investable funds vs NAV) mid-scheme-term once elected and disclosed in the PPM.	Structuring/disclosure violation — inconsistent with the fund's own PPM commitment.	Reg. 15(1)(d) proviso; Chapter 7.1.2, Master Circular

F.3 Leverage Breach — Mandatory Remediation Sequence (Cat III)

Step	Action Required	Deadline
1	AIF reports the breach to the custodian.	By end of the **same day** as the breach.
2	AIF reports the breach + reasons to **all investors**.	Before **10 a.m. next working day**.
3	AIF squares off excess exposure, brings leverage back within limit.	By **end of next working day**.
4	AIF confirms square-off to all investors.	By **end of day** on which exposure was squared off.
5	Custodian reports breach (fund name, extent, reasons) to SEBI.	Before **10 a.m. next working day**.
6	Custodian confirms square-off to SEBI.	By **end of day** on which exposure was squared off.

Note: this remediation sequence does not preclude separate SEBI enforcement action under the AIF Regulations or SEBI Act for the underlying breach.

*Regulatory reference:** Chapter 7.3, Master Circular; Reg. 18(c) AIF Regulations.*

F.4 Open-Ended Scheme Corpus Breach (below ₹20 crore) — Remediation Sequence

Step	Action Required	Deadline
1	Intimate SEBI on receiving a redemption request that would breach the ₹20 crore floor.	Within **2 working days** of receiving the request.
2	Bring scheme corpus back to ₹20 crore.	Within **3 months** of the breach date.
3	If not cured within 3 months: redeem **all** investor units and **wind up the scheme.**	Mandatory, per Reg. 29.

*Regulatory reference:** Reg. 10(b); Chapter 7.6, Master Circular.*

F.5 Redemption Suspension (Open-Ended Category III Schemes)

✓ CAN DO	✗ CANNOT DO
Suspend redemptions in genuinely exceptional circumstances, exclusively in investors' best interest, or where required by AIF Regulations/SEBI.	Cannot suspend redemptions for reasons outside these narrow justifications, or use suspension to disadvantage investors.

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✓ CAN DO	✗ CANNOT DO
Must disclose the *possibility* of suspension upfront in the PPM.	Cannot invoke suspension as a surprise mechanism absent PPM disclosure.
Must document reasons/planned actions and communicate to SEBI + investors.	Cannot suspend silently — communication to both SEBI and investors is mandatory, not discretionary.
Must regularly review the suspension and resume normal operations as soon as reasonably possible.	Cannot accept **new subscriptions** during the suspension period.

*Regulatory reference:** Chapter 7.5, Master Circular (Circular CIR/IMD/DF/10/2013).*

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Part G — Co-Investment Framework (Regulation 17A)

Applicable only to Category I and Category II AIFs (Angel Funds excluded).

G.1 The Two Permitted Co-Investment Routes

Route	Mechanism
PMS Route	Co-investment facilitated through a SEBI-registered Co-investment Portfolio Manager under SEBI (Portfolio Managers) Regulations, 2020.
CIV Scheme Route	A dedicated Co-Investment Vehicle scheme launched by the Manager under the AIF Regulations itself, per a shelf placement memorandum.

G.2 What a CIV Scheme CAN Do

✓ CAN DO	Regulatory Reference
File **one** shelf placement memorandum (via merchant banker) covering principal co-investment terms, governance, and framework.	Reg. 17A(2); Chapter 6.1.2, Master Circular
Launch a **separate CIV scheme for each co-investment**, under that shelf PPM.	Reg. 17A(3)
Offer co-investment **only to Accredited Investors** of the underlying Cat I/II AIF.	Reg. 17A(4)
Give investors pro-rata rights to CIV investment/distribution proceeds, **except** to the extent carried interest is shared with sponsor/manager/employees.	Chapter 6.1.8, Master Circular
Allow certain investor categories (Multilateral/Bilateral DFIs, State Industrial Development Corporations, government-owned entities incl. central banks/sovereign wealth funds) to co-invest **without** the standard 3x cap below.	Chapter 6.1.4(a)-(c), Master Circular

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G.3 What a CIV Scheme CANNOT Do

✗ CANNOT DO	Implication if Breached	Regulatory Reference
Cannot invest in **more than one** investee company per CIV scheme.	Structural non-compliance — each CIV is single-investee-company by design.	Reg. 17A(5)
Cannot invest in units of other AIFs.	Structural non-compliance.	Reg. 17A(6)
Standard investors' co-investment across CIV schemes **cannot exceed 3x** their contribution to that investee company through the main AIF scheme (exemptions per G.2 above apply).	Excess co-investment is unauthorised.	Chapter 6.1.4, Master Circular
Cannot borrow funds directly/indirectly or engage in **any** leverage.	Absolute prohibition — no narrow exception exists for CIV schemes (unlike main Cat I/II schemes' 30-day window).	Chapter 6.1.7, Master Circular

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✗ CANNOT DO	Implication if Breached	Regulatory Reference
Cannot offer co-investment terms **more favourable** than the main AIF's investment terms; exit timing must be **identical** to the main scheme's exit.	Terms mismatch is a direct Reg. 17A(8) breach — a common area of dispute if not modelled precisely at deal execution.	Reg. 17A(8)
Cannot allow an investor who has defaulted/been excused/excluded from the main scheme's investment in that investee company to co-invest in the same company via CIV.	Circumvents the purpose of exclusion/default consequences in the main scheme.	Chapter 6.1.5, Master Circular
Cannot make an investment that would let CIV investors acquire indirectly what they couldn't acquire directly, avoid disclosure they'd otherwise need, or invest where the investee company cannot receive that investor directly.	Anti-circumvention provision — a structuring red flag if triggered.	Chapter 6.1.6, Master Circular
CIV scheme continuing after exit from the co-investment — **must wind up** on exit.	Non-compliant continuation of a vehicle that has served its purpose.	Reg. 17A(9)

Note: Regulations 10(b)/(d), 11(2), 12(2)-(5), 13, 15(1)(a)/(c)/(da)/(g)/(h), 16, and 17 do NOT apply to CIV schemes — a deliberately lighter regulatory shell given the CIV's narrow, single-deal purpose. Reg. 17A(10).

If you are an AIF, For Getting the Full Docket Reach out to us on office@anujdesaiassociates.com or call us on 9619456656

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