



भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

DEPUTY GENERAL MANAGER
INVESTMENT MANAGEMENT DEPARTMENT
DIVISION OF FUNDS-1

IMD/ DoF-1/VCF/AS/OW/16861/2016
June 10, 2016

Mr. Mahesh Jaokar
Tata Capital Limited
Tower A 1101, Peninsula Business Park,
Ganpatrao Kadam Marg, Lower Parel,
Mumbai – 400 013

Dear Sir,

Sub:- Request for interpretive letter under the SEBI (Informal Guidance) Scheme, 2003 in connection with SEBI (Venture Capital Funds) Regulations, 1996 ("VCF Regulations")

1. This has reference to your letter dated May 13, 2016 seeking an interpretive letter under the SEBI (Informal Guidance) Scheme, 2003.
2. In your letter under reference you have *inter alia* represented as follows:-
 - a. Tata Capital Limited (applicant) provides investment management services to several SEBI registered VCFs.
 - b. These funds primarily invest in equity and equity linked instruments of Indian companies operating across various sectors.
 - c. During the course of operations, the VCFs come across situations where there are idle funds (temporary funds) lying in bank accounts for, inter alia, the following reasons:
 - I. Capital calls received for investing in identified portfolio companies, pending investment in such portfolio companies;
 - II. Where the divestment proceeds in respect of a portfolio company are retained prior to distribution to the contributors or for the purpose of reinvestment;
 - III. Where an amount is apportioned as to be utilized by the VCFs for meeting their expenses.

सेबी भवन, प्लॉट सं. सी 4-ए, "जी" ब्लॉक, बांद्रा कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051.

दूरभाष : 2644 9950 / 4045 9950 (आई.वी.आर. एस.), 2644 9000 / 4045 9000 फैक्स : 2644 9019 से 2644 9022 वेब : www.sebi.gov.in



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- d. Currently, such temporary funds are parked in current account or fixed deposits with banks.
3. You have sought interpretive letter under SEBI (Informal Guidance) Scheme, 2003 from SEBI on the following:

'Whether a VCF registered under the SEBI VCF Regulations can deploy temporary funds in the units of liquid mutual funds / money market funds?'

Our Comments

4. The submissions made in your letter have been considered and without necessarily agreeing with your analysis, our view on the issues raised in your letter are as under:
- a. Chapter III of VCF Regulations specifies the Investment Conditions and Restrictions. The chapter, however, does not impose any conditions on the deployment of un-invested portion of the investible funds of a VCF.
- b. Temporary funds deployed in liquid mutual funds or bank deposits or other liquid assets of higher quality such as Treasury bills, CBLOs, Commercial Papers, Certificates of Deposits, etc. stay highly liquid, and may be easily retrieved when there is an opportunity for deployment of funds as per the investment objective of the VCF.
- c. Further, similar provisions are available under SEBI (Alternative Investment Funds) Regulations, 2012 (AIF Regulations). According to regulation 15(1)(f) of AIF Regulations:

'Un-invested portion of the investible funds may be invested in liquid mutual funds or bank deposits or other liquid assets of higher quality such as Treasury bills, CBLOs, Commercial Papers, Certificates of Deposits, etc. till deployment of funds as per the investment objective'

- d. Therefore, it is our view that the SEBI registered VCFs may invest the un-invested portion of their investible funds in liquid mutual funds or bank deposits or other liquid assets of higher quality such as Treasury bills, CBLOs, Commercial Papers, Certificates of Deposits, etc. till deployment of funds as per the investment objective.



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5. This position is based on the representation made to the Division in your letter under reference. Different facts or conditions might require a different result. This letter does not express decision of the Board on the questions referred.
6. You may note that the above views are expressed only with respect to the clarification sought on SEBI (Venture Capital Funds) Regulations, 1996 and do not affect the applicability of any law and other SEBI Regulations, guidelines and circulars administered by SEBI or any other authority.

Yours faithfully,


Naveen Sharma