

CIRCULAR

SEBI/HO/AFD/AFD-POD-1/P/CIR/2025/128

September 10, 2025

To,

All Alternative Investment Funds (AIFs)

Sir/Madam,

Sub: Revised regulatory framework for Angel Funds under AIF Regulations

1. With the objective of improving ease of doing business, enhancing risk reduction and providing operational clarity to Angel Funds, Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 ("AIF Regulations") have been amended and notified on September 09, 2025, to prescribe the revised regulatory framework for Angel Funds. A copy of the notification is given [here](#). In this context, the specific conditions and modalities with respect to various provisions pertaining to Angel Funds are being prescribed by way of this circular.

A. Fund raising by Angel Funds –

2. In terms of Regulation 19D(1) of AIF Regulations, Angel Funds shall raise funds only from Accredited Investors by way of issue of units, in the manner as may be specified by SEBI from time to time. In this regard, the following is specified –
 - 2.1. Angel Funds which are granted registration by SEBI post the issuance of this circular, shall on-board and offer investment opportunities to Accredited Investors only.
 - 2.2. Angel Funds registered with SEBI on or before the date of issuance of this circular shall comply with the following –
 - (a) Such Angel Funds shall implement the aforesaid mandate on or before September 08, 2026 and shall not offer investment opportunity to more than 200 non-Accredited Investors during this period.
 - (b) Such Angel Funds shall not accept contribution for investment in an investee company from non-Accredited Investors, post September 08, 2026.
 - (c) Existing investors of such Angel Funds shall continue to hold their investments already made in the Angel Fund as per the terms of the Private Placement Memorandum (PPM) and/or fund documents of the Angel Fund.
 - 2.3. Managers of Angel Funds shall ensure that, at the time of accepting contribution for investment in an investee company, the investor providing contribution

qualifies as an Accredited Investor, either by holding a valid accreditation certificate or by meeting the criteria for deemed Accredited Investor as specified in Regulation 2(1)(ab) of AIF Regulations.

3. In terms of Regulation 19D(6) of AIF Regulations, an Angel Fund shall on-board at least five Accredited Investors before declaring its first close in the manner as may be specified by SEBI from time to time. In this regard, the following is specified –
 - 3.1. The first close of an Angel Fund shall be declared not later than 12 months from the date of SEBI communication for taking the PPM of the Angel Fund on record.
 - 3.2. Existing Angel Funds which have not yet declared first close, shall do so on or before September 08, 2026.
 - 3.3. In case the first close of an Angel Fund is not declared within the timeline specified above, the Angel Fund shall refile the PPM with SEBI as per applicable provisions of AIF Regulations by paying requisite fee to SEBI.

B. Investments by Angel Funds –

4. In terms of Regulation 19E of AIF Regulations, an Angel Fund shall not launch any schemes for soliciting funds from angel investors or making any investments. Accordingly, the following is specified –
 - 4.1. Investments in investee companies shall be made directly by Angel Funds, without the requirement of launching a scheme for this purpose.
Consequently, the provisions of AIF Regulations which are applicable to a scheme of an AIF, shall be applicable to the Angel Fund at fund level, unless stated otherwise.
 - 4.2. The requirement of filing term sheet with SEBI for launching scheme and making investment has been discontinued with. However, Angel Funds shall maintain records of term sheets for each investment, including the list of investors who participate in that investment and their contribution to the investment.
5. In terms of proviso to Regulation 19F(1) of AIF Regulations, Angel Funds may make additional investments in their existing investee companies which are no longer start-ups ('follow-on investments'), subject to the conditions as may be specified by SEBI from time to time. In this regard, the following conditions are specified –
 - 5.1. Follow-on investment shall be allowed to the extent the post-issue shareholding percentage of the Angel Fund in the investee company does not exceed the pre-issue shareholding percentage.
 - 5.2. The total investment in an investee company by an Angel Fund, including follow-on investments, shall not exceed INR 25 Crore.

- 5.3. Angel Funds shall accept contribution for follow-on investment only from the investors who had contributed to the existing investment in the investee company and pro-rata to their contribution in the existing investment. However, in case an investor opts not to participate in the follow-on investment to the extent of its pro-rata rights, the same may be offered to the remaining investors who had contributed to the existing investment.
6. In terms of Regulation 19F(3) of AIF Regulations, investment by an Angel Fund in an investee company shall be subject to lock-in period as may be specified by SEBI. In this regard, the following is specified –
 - 6.1. Investment by an Angel Fund in an investee company shall be locked-in for a period of one year.
 - 6.2. The aforesaid lock-in requirement shall be for a period of six months if the exit from the investment by Angel Fund is by way of sale to a third party, that is, excluding buy-back by the investee company or purchase by its promoters or their associates. Any such sale shall be subject to terms of Articles of Association of the investee company.
7. In terms of Regulation 19F(7) of AIF Regulations, Angel Funds may invest in the securities of companies incorporated outside India subject to such conditions or guidelines that may be stipulated or issued by the Reserve Bank of India and SEBI from time to time. In this regard, the following is specified –
 - 7.1. For the purpose of overseas investments, the 25% limit as prescribed under para 7.1.3 of Master Circular dated May 07, 2024 for AIFs ('AIF Master Circular') shall be calculated based on the total investments (at cost) held by the Angel Fund as on date of the application to SEBI for overseas investment.
 - 7.2. All other conditions and modalities specified under Chapter 7 of AIF Master Circular continue to remain applicable to Angel Funds.

C. Offering and allocation of investment opportunities by Angel Funds -

8. In terms of Regulation 19G(4) of AIF Regulations, the manager shall disclose a defined methodology in the PPM of the Angel Fund for the purpose of allocating the investment among angel investors who provide approval for such investment, in the manner as may be specified by SEBI from time to time. In this regard, the following is specified –
 - 8.1. The manager of Angel Fund shall strictly adhere to the such methodology for allocating the investment among consenting investors.
 - 8.2. The methodology for allocation disclosed in the PPM shall not provide any discretion to manager for allocation of investment on case-to-case basis.

- 8.3. Existing Angel Funds shall disclose such methodology in their PPMs, and allocation of any investment made by such Angel Funds post October 15, 2025, shall be in accordance with the methodology disclosed in the PPM.
9. In terms of Regulation 19G(6) of AIF Regulations, the investors of an Angel Fund shall have rights in an investment of the Angel Fund and in the distribution of proceeds of the investment, pro-rata to their contribution to such investment, except in cases as may be specified by the Board from time to time.

In this regard, it is specified that the requirement of maintaining pro-rata rights of investors in distribution of proceeds of investments of a scheme, shall not be applicable to the extent returns or profit on the investments is shared by an investor with the manager or sponsor of the AIF or the employees/directors/partners of the manager of AIF (by whatever name it is called, such as carried interest/additional return), in terms of contribution agreement executed between them.

D. Other obligations –

10. All existing Angel Funds shall be considered to be registered as Category I AIF – Angel Funds, instead of being a sub-category under Category I AIF – Venture Capital Funds.
11. The requirement of carrying out annual audit of compliance with terms of PPM, as per the norms prescribed in Para 2.4 of AIF Master circular, shall be applicable to Angel Funds that have made total investments (at cost) exceeding INR 100 crore. Accordingly, para 2.4.4 of AIF Master Circular stands modified to this extent.
12. Angel Funds shall report necessary information including investment wise valuation and cash flow data to the benchmarking agencies, for the purposes of performance benchmarking as per the norms prescribed in Chapter 16 of AIF Master Circular. In the PPM as well as in any marketing or promotional or other material, where past performance of the Angel Fund is mentioned, the performance versus benchmark report provided by the benchmarking agencies for such fund shall also be provided. Accordingly, para 16.6 of AIF Master Circular stands deleted.
13. The requirements of carrying out PPM audit as given at para 11 above and reporting information to benchmarking agencies as given at para 12 above shall be applicable to Angel Funds from Financial Year 2025-26 onwards.
14. Unless specified otherwise, any limit/condition applicable to Angel Funds under AIF Regulations and circulars issued thereunder and calculated based on corpus/ investable funds, shall henceforth be calculated based on the total investments made by the Angel Fund (at cost).

15. In this regard, with respect to SEBI circular dated October 08, 2024 on '*Specific due-diligence of investors and investments of AIFs*', it is further clarified that the thresholds specified in para 3.2.1, 4.2.1, 5.1.1 and 8.2.1 of the said circular shall be calculated at each investment level, based on contribution of investors to a particular investment (instead of calculating based on corpus at fund level).
16. The trustee/sponsor of AIF, as the case may be, shall ensure that the 'Compliance Test Report' prepared by the manager in terms of Chapter 15 of AIF Master Circular, includes compliance with the provisions of this circular.
17. This circular shall come into force with immediate effect.
18. This circular is issued with the approval of the competent authority.
19. This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992, read with Regulations under Chapter III-A and Regulation 36 of AIF Regulations, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.
20. The circular is available on SEBI website at www.sebi.gov.in under the categories "Legal framework - Circulars" and "Info for - Alternative Investment Funds".

Yours faithfully,

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