

CIRCULAR

HO/19/34/11(5)2025-AFD-POD1/I/188/2025

December 08, 2025

To,

All Alternative Investment Funds (AIFs)

Sir/Madam,

Sub: Modalities for migration to AI only schemes and relaxations to Large Value Funds for Accredited Investors under SEBI (Alternative Investment Funds) Regulations, 2012

1. With an objective to enhance ease of doing business for Alternative Investment Funds ("AIFs"), Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 ('AIF Regulations'), have been amended and notified on November 19, 2025 to:
 - 1.1. facilitate introduction of a separate category of AIF schemes, limited exclusively to Accredited Investors only (AI-only schemes), and offering the scheme specific regulatory flexibilities in terms of less compliance around investor protection.
 - 1.2. extend additional relaxations and operational flexibilities to Large Value Funds (LVFs) for accredited investors.
2. Any new scheme proposed to be launched as an AI only scheme or LVF shall have the words 'AI only fund' or 'LVF' added to the scheme name at the end, respectively (For example, 'Xyz AI only fund' and 'Abc LVF').
3. In terms of Regulation 2(1)(ac) & 2(1)(pa) of AIF Regulations, AIF or a scheme of an AIF, launched prior to the notification of Securities and Exchange Board of India (Alternative Investment Funds) (Third Amendment) Regulations, 2025, may be permitted to convert to an AI-only scheme or LVF scheme, subject to the conditions as may be specified by the Board.
4. In this regard, it is specified that existing eligible AIFs/Schemes of AIFs may convert/ migrate to AI only schemes/ LVF schemes subject to obtaining positive consent from all the investors and meeting the respective conditions. Upon conversion, the manager of the AIF shall ensure that –
 - 4.1. the name of the converted scheme is changed to incorporate 'AI only fund' or 'LVF' as the case may be;
 - 4.2. such conversion and change in name of the scheme is reported to SEBI by emailing to aifreporting@sebi.gov.in within 15 days of the conversion; and,
 - 4.3. such change in name of the scheme is reported to depositories for carrying out necessary changes in their system within 15 days of the conversion.

5. In respect of the AI status of an investor, if an investor is an AI at the time of on-boarding into an AIF scheme, he/ she shall be reckoned as an AI through the life of the scheme, even if he/ she were to lose such status in the interim.
6. In terms of Regulation 13(5) of AIF Regulations, it may be noted that maximum extension permissible for AI only schemes shall be of five years, inclusive of tenure extended, if any, prior to conversion to AI-only scheme / LVF scheme.
7. Further, it has been decided to exempt LVFs from following the standard template of placement memorandum and annual audit of the terms of placement memorandum, without requirement of specific waivers from investors. Accordingly, para 8 of SEBI circular SEBI/HO/IMD/DF6/CIR/P/2020/24 date February 05, 2020, subsumed in para 2.4.4. in Chapter 2 ("Filing of Private Placement Memorandum and related compliance requirements") of Master Circular for AIFs dated May 7, 2024, insert below mentioned text as clause 2.4.4. (iii):

(iii) Large Value Funds as defined in AIF Regulations, without the requirement of obtaining specific waiver from investors.
8. 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 Master Circular for AIFs, includes compliance with the provisions of this circular.
9. This circular shall come into force with immediate effect.
10. This circular is issued with the approval of the competent authority.
11. 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 2(1)(ac), 2(1)(pa) and 36 of AIF Regulations, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.
12. 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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