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In a notification dated June 1, Sebi said it has made amendments to Alternative Investment Funds (AIF) regulations with respect to 'Angel Funds'. The move comes after the board of Securities and Exchange Board of India (Sebi) in March this year approved a proposal in this regard. Angel Funds, a sub-category AIFs, encourage entrepreneurship by financing small startups at a stage when they find it difficult to obtain capital from traditional sources of finance such as banks and financial institutions.

Under the amendment, Sebi has increased the maximum investment limit by angel funds in venture capital undertakings to Rs 10 crore from the current Rs 5 crore. However, the minimum investment by an angel investor will continue to be Rs 25 lakh. Further, the regulator has halved the minimum corpus size required for an angel fund to register with it to

Rs 5 crore.

Besides, the regulator has raised the maximum period of accepting funds from an angel investor to five years, from three years. The move will provide angel funds more time to identify opportunities and invest in venture capital firms. The requirement of filing of scheme memorandum to Sebi by angel funds will be replaced with the requirement of filing term sheet containing material information, as specified by the regulator within 10 days of launching the scheme. Sebi said the provisions of the Companies Act will apply to an angel fund, if it is formed as a company.

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