



## CIRCULAR

F. No. 81/IFSCA/AIFs/2020-21

December 09, 2020

To,  
All Alternative Investment Funds in IFSC  
All Custodians in IFSC

Dear Sir/Madam,

**Sub: Alternative Investment Funds (AIFs) in International Financial Services Centres (IFSC)**

1. In terms of the guidelines for setting up an Alternative Investment Fund (AIF) in IFSC as issued vide SEBI (International Financial Services Centres) Guidelines, 2015 ("IFSC Guidelines") and the operating guidelines dated November 26, 2018, the AIFs are being set up in GIFT-IFSC.
2. Subsequently, representations have been received from various stakeholders to review the framework so as to align it with international framework. Based on the above review, it has been decided to amend the norms pertaining to AIFs in IFSC as follows:

**A. Leverage**

- (1) An AIF in IFSC may borrow funds or engage in leveraging activities, subject to the following conditions:
  - (a) The maximum leverage by the AIF, along with the methodology for calculation of leverage, shall be disclosed in the placement memorandum;
  - (b) The leverage shall be exercised subject to consent of the investors;
  - (c) The AIF employing leverage shall have a comprehensive risk management framework appropriate to the size, complexity and risk profile of the fund.

**B. Investments**

- (1) An AIF in IFSC is permitted to:
  - (a) co-invest in a portfolio company through a segregated portfolio by issuing a separate class of units and shall ensure that:
    - i. The investments by such segregated portfolios shall, in no circumstance, be on terms more favourable than those offered to the common portfolio of the AIF; and

- ii. Appropriate disclosures have been made in the placement memorandum regarding creation of segregated portfolio; and
  - (b) invest in an AIF registered with SEBI in India, alongside other permissible investments.
- (2) The investment diversification requirements provided under regulation 15(1)(c) and 15(1)(d) of the SEBI (Alternative Investment Funds) Regulations, 2012, shall not apply to AIFs in IFSC, subject to the conditions that appropriate disclosures have been made in the placement memorandum and the investments by AIFs are in line with the risk appetite of the investors.
3. This circular is issued in exercise of powers conferred by section 12 of the International Financial Services Centres Authority Act, 2019 to develop and regulate the financial products, financial services and financial institutions in the International Financial Services Centres.
4. A copy of this circular is available on the website of International Financial Services Centres Authority at [www.ifsc.gov.in](http://www.ifsc.gov.in).

Yours faithfully,

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