



Fortnightly Newsletter

SARVAANK
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Security and Exchange Board of India

SEBI Amends AIF Regulations: New Borrowing Norms and Migration Guidelines for VCFs

The Securities and Exchange Board of India (SEBI) has introduced amendments to the Alternative Investment Funds (AIF) Regulations, 2012, effective August 6, 2024, focusing on borrowing norms for Category I and Category II AIFs and the extension of tenure for Large Value Funds (LVFs) catering to Accredited Investors. Under the new guidelines, these AIFs are generally prohibited from borrowing for investments or leverage but are allowed temporary borrowing to meet shortfalls in drawdown amounts from investors. This borrowing must be disclosed in the Private Placement Memorandum (PPM) and should only be used in emergencies to prevent missing imminent investment opportunities. Additionally, SEBI has outlined conditions for the migration of Venture Capital Funds (VCFs) to AIF regulations. VCFs can migrate by July 19, 2025, with their existing tenure intact if it was previously disclosed, or with a newly determined tenure with 75% investor approval if no tenure was disclosed.

In this newsletter you can expect:

SEBI Amends AIF Regulations:
New Borrowing Norms and
Migration Guidelines for VCFs

Startup Funding Update:
\$490.32 Million Raised Across
31 Startups

Advisory on Joint Bank
Accounts and Nomination
Rights for Queer Community
Members

Amendments to the Master
Direction on NBFC-P2P
Lending Platforms Issued by
the Reserve Bank of India

SEBI Issues New Guidelines
for Borrowing by AIFs and
Tenure Extension for LVFs



A one-time additional liquidation period of one year is granted for schemes with expired liquidation periods. Upon migration, investors, investments, and units under VCFs will be deemed part of the Migrated VCF under AIF regulations, ensuring compliance with SEBI's Master Circular for AIFs and other relevant guidelines.

The circular can be accessed from [here](#).

SEBI Issues New Guidelines for Borrowing by AIFs and Tenure Extension for LVFs

SEBI issued new guidelines on August 6, 2024, amending the Alternative Investment Funds (AIF) Regulations, 2012. These amendments permit Category I and II AIFs to borrow funds to cover shortfalls in drawdown amounts from investors, subject to specific conditions, including emergency use and mandatory disclosure in the Private Placement Memorandum (PPM). The borrowing amount is capped at 20% of the proposed investment or 10% of the investable funds, whichever is lower, and the borrowing cost is borne by defaulting investors. A 30-day cooling-off period is required between borrowings. Additionally, Large Value Funds (LVFs) can extend their tenure by up to five years with approval from two-thirds of unit holders, aligning their extension policies within three months. These changes aim to provide flexibility and protect investor interests while ensuring regulatory compliance.

The circular can be accessed from [here](#).

Central Government

Advisory on Joint Bank Accounts and Nomination Rights for Queer Community Members

The Government of India's Ministry of Finance issued an advisory on August 28, 2024, referencing the Supreme Court's judgment dated October 17, 2023, in the case of Supriyo @ Supriya Chakraborty and another Vs. Union of India. The advisory clarifies that there are no restrictions on individuals from the queer community to open a joint bank account or nominate a person in a queer relationship as a nominee to receive account balances in case of the account holder's death. The Reserve Bank of India (RBI) also issued a similar clarification to all Scheduled Commercial Banks on August 21, 2024.

Reserve Bank of India

Amendments to the Master Direction on NBFC-P2P Lending Platforms Issued by the Reserve Bank of India



The Reserve Bank of India (RBI) has issued amendments to the Master Direction on Non-Banking Financial Company – Peer to Peer Lending Platform Directions, 2017, to ensure compliance and proper functioning of NBFC-P2P platforms. These amendments address violations such as inappropriate fund transfer mechanisms, misrepresentation of P2P lending as assured return investments, and providing liquidity options. The revised guidelines prohibit NBFC-P2P platforms from assuming credit risk, cross-selling non-loan specific insurance products, and using lenders' funds improperly. They also introduce stricter disclosure requirements, emphasize the maintenance of escrow accounts for fund transfers, and mandate explicit risk declarations from lenders. The aim is to strengthen regulatory oversight and protect both lenders and borrowers involved in P2P lending transactions..

The official guidelines can be accessed from [here](#)

Startups

Startup Funding Update: \$490.32 Million Raised Across 31 Startups

In a recent funding round, 31 startups collectively raised \$490.32 million. This includes 7 growth-stage deals, which accounted for \$443.8 million, with Zepto leading the charge with a \$340 million Series F round. Meanwhile, 19 early-stage startups secured a total of \$46.52 million in funding.

The official news can be accessed from [here](#).



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Law Decoded for *Entrepreneurs*

Contact us

REGISTERED ADDRESS: Office No. 8, First Floor, Atmaram Mansion (Scindia House), Connaught Place, New Delhi 110001

OPERATING ADDRESS: Shanti Vatika Farms, Ram Mandir Road, Opposite Fortis Hospital, Vasant Kunj, New Delhi -110070

WEBSITE: www.sarvaankassociates.com

EMAIL: info@sarvaankassociates.com

CONTACT NUMBER: +91 88267 18554