

**Consultation paper on rationalizing the requirement of obtaining investor consent and ambit of conflicted transactions requiring investor consent under SEBI (Alternative Investment Funds) Regulations, 2012**

**1. Objective**

Alternative Investment Funds (AIFs) are investment vehicles meant to channelize the capital of sophisticated investors to companies in need. With an approach to strike a balance between operational and investment flexibility for AIFs, while ensuring that investors are able to make informed decisions, this consultation paper seeks comments and views from the public and stakeholders on the following proposals –

- 1.1. To standardize the process of obtaining investor consent as per requirements mandated under AIF Regulations, including, for carrying out conflicted transactions;
- 1.2. To bringing consistency in threshold for unitholder approval prescribed under AIF Regulations and circulars issued thereunder; and,
- 1.3. To rationalize the ambit of conflicted transactions which would require investor consent, in a manner that aligns with the underlying regulatory intent.

**2. Background**

- 2.1. SEBI (Alternative Investment Funds) Regulations, 2012 (AIF Regulations) prescribes that certain material decisions/changes relating to the governance and operations of an AIF, including specified conflicted transactions, shall be carried out only after obtaining requisite investor consent, with varying thresholds for different requirements. The AIF Regulations prescribe different approval thresholds for different matters; however, they do not provide guidance on the manner or methodology for obtaining such consent.
- 2.2. The AIF Regulations also lay down a framework to address conflicts of interest through fiduciary obligations of the manager and sponsor, coupled with disclosure and investor consent requirements. and transparency requirements. The framework relies primarily on transparency and informed investor participation to manage conflict related issues in view of the nature of the investor base.
- 2.3. Over time, based on supervisory experience and stakeholder interactions, it has been observed that while the existing framework provides flexibility and operational ease, certain conflict-prone transactions may not be uniformly captured for investor consideration due to the limited scope of entities covered under the current definition of “associate”. This may lead to situations where transactions involving comparable levels of conflict are treated differently, resulting in interpretational uncertainty.
- 2.4. Further, diverse market practices have emerged with respect to solicitation, voting methodologies, and treatment of non-responses. Additionally, varying approval thresholds

prescribed across the regulatory framework, without a clearly articulated rationale, may add to complexity and operational challenges for AIFs and investors alike.

- 2.5. The proposals in the consultation paper are expected to reduce ambiguity in application of the regulations, and provide AIFs with a clear, predictable and implementable framework for obtaining investor consent and undertaking transactions involving potential conflicts of interest.

### **3. Standardising the requirement and manner of obtaining investor consent under SEBI (Alternative Investment Funds) Regulations, 2012**

#### **Existing regulatory framework for investor consent -**

- 3.1. There are various provisions under AIF Regulations and circulars issued thereunder, wherein requirement of investor consent has been mandated for performing certain material activities / transactions. A list of provisions under AIF Regulations which mandate investor consent is given at [Annexure A](#).

#### **Bringing consistency in threshold for investor consent -**

- 3.2. It may be observed that AIF Regulations mandate different approval thresholds for different activities – mainly consent of 2/3<sup>rd</sup> or 3/4<sup>th</sup> (75%) of investors by value of their investment in the fund. As it may be seen, there is no principle based distinction or rationale for requiring different threshold of approval of investors for different activities / transactions under AIF Regulations. Therefore, for the ease of reference, it may be appropriate to have a uniform threshold for investor consent for such activities / transactions.
- 3.3. Considering that consent of 75% of investors by value would include more investors in decision making, in comparison to consent of 2/3<sup>rd</sup> of investors by value, the same might be favourable to minority dissenting stakeholders who may otherwise be dragged along in favor of majority opinion. Thus, it would be appropriate to mandate a threshold of 75% unitholder consent (by value) for all such references where 2/3<sup>rd</sup> investor consent has been mandated. This consistent approach is expected to provide clarity and facilitate ease of operations for AIFs, without compromising on investor protection.

#### **Need for standardization of consent mechanism -**

- 3.4. AIFs have adopted diverse market practices for obtaining investor consent. As a result, identical approval thresholds may yield different outcomes depending on the voting methodology followed by individual funds. Further, divergent market practices may result in disputes or misinterpretation, particularly in situations involving conflicts of interest.
- 3.5. SEBI has received representation from AIF industry highlighting the following concerns in relation to the voting mechanism adopted for obtaining investor consent mandated under AIF Regulations –

##### **3.5.1. Lack of response from investors:**

AIFs are unable to reach the stated approval/consent thresholds due to non-responsiveness of AIF Investors, especially where the fund has a large investor base.

**3.5.2. Selective non-voting:**

In certain instances, investors intentionally withhold their responses during consent solicitations as a strategic tactic to leverage concessions from the Alternative Investment Fund, such as reduced fees or favourable co-investment terms, etc.

- 3.6. It is understood that majority of the AIFs adopt deemed consent model for obtaining investor consent, wherein a failure to respond within a specified time period would be deemed as approval for the given proposal. SEBI has observed various instances where funds have treated non-voting by investors as approval for the said proposal, upon disclosure to investors about the deeming their consent in the absence of an explicit response.
- 3.7. SEBI has also received feedback from AIF investors regarding the lack of consistency in the process of obtaining investor consent. It is understood that few funds have adopted a practice where the manner of obtaining consent differs from investor to investor. That is, while deemed consent is agreed upon for most investors of the fund, certain investors insist on only explicit approval being considered as consent. As a result, the voting mechanism applied differs among investors within the same scheme. Such differential treatment within a single scheme may give rise to concerns relating to fairness, transparency and governance.
- 3.8. With a view to provide ease of operations, clarity of interpretation by stakeholders, ease of compliance by funds and ease of supervision by SEBI, standardization of investor consent process is seen by industry stakeholders as a pressing need.
- 3.9. Prescribing a single methodology/procedure for obtaining investor consent may affect the flexibility of operations for AIFs. Therefore, it appears reasonable and balanced that AIFs may be given an option to choose one of the prescribed methodologies for obtaining investor consent, subject to adherence to minimum safeguards and disclosure requirements applicable to the chosen method. The prevalent methodologies for obtaining and calculating investor consent being considered and currently adopted by AIF industry, are discussed in detail in the following paragraphs.

**Proposed Methodologies -**

**3.10. Method A: Deemed consent -**

3.10.1. Under this method, the AIF/manager puts forward a proposal for investor consent and provides a fixed timeline for providing their response (consent/dissent) to the proposal. Investors who do not cast their vote/provide any response within the prescribed timeline are treated as having approved the proposal put forward by the AIF/manager. Thus, unless an investor explicitly votes against the proposal within the specified period, such investor is deemed to have approved the proposal.

3.10.2. For example, let us consider an AIF with 100 investors, each holding 1% of the fund by value. 30 investors vote in favour of a particular proposal, 10 vote against it and

60 abstain. Under this method, investors who do not cast a vote are deemed to have consented to the proposal, meaning abstentions are treated as votes in favour. The votes in favour are therefore calculated by adding the 30 investors who voted in favour to the 60 who abstained, giving a total of 90 out of 100 investors, or 90% by value.

3.10.3. This method is widely accepted in the industry considering the fact that investors in AIFs are typically institutional investors or high net-worth individuals who are presumed to be sophisticated and capable of evaluating whether participation in the approval process is necessary. In certain cases, it has been submitted by the industry that such investors may consciously choose not to vote. Further, requiring affirmative approval from all or a significant majority of investors may lead to delays in decision-making, particularly in funds with a large investor base as per the feedback received by SEBI. By treating the absence of dissent as approval, this method enables the AIF to act efficiently in the interests of investors who actively participate in the decision-making process.

3.10.4. However, this method also raises concerns from an investor-protection and governance perspective. Treating inaction as approval may result in material or conflicted decisions being implemented without demonstrable and informed investor support. For instance, even if 20% of the investors (by value) express dissent for a proposal and none of the other investors express explicit consent, the proposal would be taken as approved due to deemed consent provision. There is also a risk that investors may overlook communications or fail to respond within the stipulated timeframe, leading to approvals being deemed without their active participation. In the absence of a specific norm/written down agreement, the timeframe is at the discretion of the manager and at times, may be insufficient for the investor to take an informed decision.

### **3.11. Method B: Present and voting -**

3.11.1. Under this approach, only votes actively cast by investors (consent/in favour, dissent/against) are taken into account for determining whether the requisite investor approval threshold has been met. Investors who do not participate in the voting process are treated as having abstained, and such abstentions do not have any bearing on the outcome.

3.11.2. This methodology is consistent with voting practices followed under various other SEBI-regulated investment vehicles, including mutual funds, listed companies, Real Estate Investment Trusts ("REITs"), and Infrastructure Investment Trusts ("InvITs").

3.11.3. For example, let us consider an AIF with 100 investors, each holding 1% of the fund by value. 30 investors vote in favour of a particular proposal, 10 vote against it and 60 abstain. Under this method, only votes that are actually cast count, and abstentions are excluded. The votes in favour are calculated by dividing the 30

investors who voted in favour by the 40 investors who actually participated in the vote, giving 75% by value of the participating voters.

3.11.4. This method encourages participation of investors in voting process and is adopted widely accepted practices in other SEBI-regulated vehicles. The investors who choose to abstain implicitly defer to the decision of active participants.

3.11.5. It may be argued that matters requiring approval under the AIF Regulations often relate to fundamental aspects of fund governance, conflicted transactions, or material changes to fund operations. In cases where participation levels are low, decisions affecting core attributes of the fund may be approved by a limited subset of investors, potentially giving rise to conflicts of interest or outcomes that may not adequately reflect the interests of non-participating investors.

### 3.12. Method C: Express voting for approval -

3.12.1. Under this method, a proposal is considered approved only when the value of votes explicitly cast in favour of the proposal, through any mode (digital or physical) facilitated by the AIF manager, meets or exceeds the applicable approval threshold calculated with reference to the total investor value of the fund, irrespective of the level of investor participation. Investors who do not cast a vote within the prescribed timeframe are treated as having neither consented nor dissented. Such non-responding investors reduce the likelihood of the proposal being approved unless a sufficient level of investor participation is achieved.

3.12.2. For example, let us consider an AIF with 100 investors, each holding 1% of the fund by value. 30 investors vote in favour of a particular proposal, 10 vote against it and 60 abstain. Under this method, only explicit votes in favour count, and abstentions do not contribute to approval. The votes in favour are calculated by dividing the 30 investors who voted in favour by all 100 investors in the fund, giving 30% by total value.

3.12.3. This method ensures that approvals for material decisions reflect deliberate and affirmative investor intent. By requiring the approval threshold to be met with reference to the total investor value, this method provides a higher degree of investor protection and reduces the risk of material decisions being implemented without broad-based investor support.

3.12.4. However, practical challenges exist as highlighted by the industry participants, especially in scenarios where investor participation is low or where investor base is large, dispersed or unresponsive. Some important decisions may fail to receive approval even when supported by the majority of participating investors, potentially leading to an inability to implement necessary actions in a timely manner.

3.13. To summarize, the following table captures how votes cast in favour of a proposal is calculated as per the methodologies detailed above.

Voting Method	Votes in Favour	Votes Against	Abstentions	How votes cast in favour is calculated
Deemed Consent	30	10	60	$\frac{30 \text{ (in favour)} + 60 \text{ (deemed to have consented)}}{100 \text{ (total value)}} = 90\%$
Present and Voting	30	10	60	$\frac{30 \text{ (in favour)}}{40 \text{ (value of votes cast)}} = 75\%$
Express Voting	30	10	60	$\frac{30 \text{ (in favour)}}{100 \text{ (total value)}} = 30\%$

3.14. All of the aforesaid methodologies for obtaining investor consent have their own set of pros and cons. Considering that AIFs are meant for sophisticated investors, it may be prudent to provide flexibility regarding the methodology for obtaining investor consent, as long as there is adequate disclosure, written down policy and consistent adaption to ensure fairness and transparency to the investors. Thus, the AIF/manager may be provided flexibility to adopt one of these methodologies which best suits their investor base and facilitates operational ease, subject to certain prescribed conditions for each methodology.

3.15. Further, allowing AIFs to adopt different mythology for different investors of the same fund, may result in disproportionate representation of investors in the voting process. Considering the investor consent has been mandated for key/material changes/aspects of AIF operations, it is essential to ensure fair representation of investors in the process of obtaining consent. Thus, AIFs may be allowed to adopt one of the aforesaid methodologies consistently at fund level.

3.16. An agenda in line with the discussion above, was placed for discussion before the Alternative Investment Policy Advisory Committee ('AIPAC'). AIPAC recommended the agenda considering that it provides flexibility to funds to opt for different methodologies, subject to explicit disclosure and procedures prescribed under laid down policy. Considering the intent to provide ease of compliance and monitoring for AIFs and other stakeholders, the Committee also recommended the proposal to bring consistency in percentage threshold for investor consent by prescribing 75% investor consent (by value), wherever applicable.

**Proposals for consideration:**

<b>Proposal 1.</b>	<b>Flexibility in manner of seeking investor consent -</b> AIFs may be given an option to choose one of the following methodologies for obtaining and calculating investor consent for requirements mandated under AIF Regulations and/or in fund documents –
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**Proposals for consideration:**

- (a) **Deemed consent** - Votes in favour and lack of response within the specified voting timeline, shall be considered as approval for calculating consent (by value) as against the total value of the fund/scheme of AIF.
- (b) **Present and voting** - Votes in favour shall be considered for approval for calculating consent (by value) as against the total number of investors (by value) who participated in the voting process.
- (c) **Express voting for approval** - Votes in favour shall be considered for approval for calculating consent (by value) as against the total value of the fund/scheme of AIF.

**Proposal 2. Modalities for adopting a methodology for seeking investor consent -**

- 2a. AIFs shall disclose the chosen methodology with the related policy/procedures for obtaining investor consent, along with the associated risks, in their PPMs.
- 2b. This shall include details regarding manner of communication for reaching out to investors, manner of conducting meetings/seeking votes, notice period/voting timeline, reminders for seeking response, etc.
- 2c. AIFs shall follow the chosen methodology consistently at the scheme/fund level, i.e., the methodology for obtaining consent shall not differ between investors of the same scheme.

**Proposal 3. Modalities for seeking investor consent for a proposal -**

- 3a. Regardless of the chosen methodology as discussed above, all investors of the fund shall be provided an opportunity to vote on all proposals requiring investor consent. The following shall be disclosed to the investors while seeking their consent:
  - (i) the proposal with rationale;
  - (ii) the relevant regulatory provision/provision in fund documents which triggered the investor consent requirement;
  - (iii) the required approval threshold; and,
  - (iv) the manner of treating non-response/non-participation of an investor, as per the chosen methodology.
- 3b. For obtaining investor consent through deemed consent, communication sent to investors shall also disclose the timeline for providing response. The said timeline shall be uniform for all investors.
- 3c. For obtaining investor consent through present and voting, the manager of the AIF shall (i) hold meetings (physical/virtual/hybrid) of investors for obtaining their consent or (ii) inform the proposal through agreed modes of communication and seek votes through physical/digital mode with disclosed voting timeline. In case of option (ii), only those investors who

**Proposals for consideration:**

provide any response to the proposal within the voting timeline shall be considered to have participated in the voting process.

**Proposal 4.**

**Responsibility of manager -**

- 4a. The manager of the AIF shall be responsible for ensuring transparency, adherence to the laid down policy and fair access to all investors with respect to the process of seeking investor consent.
- 4b. The manager shall respond to investor queries regarding a specific proposal or the process/methodology for investor consent, within a reasonable timeframe.
- 4c. The records of all communications for notice, subsequent reminders, meetings and votes shall be maintained by the AIF/manager.

**Proposal 5.**

**Applicability for existing funds -**

The extant methodologies adopted by existing schemes of AIFs shall be grandfathered. The proposed policy shall take effect from a prospective date.

**Proposal 6.**

**Streamlining approval thresholds -**

The applicable provisions under AIF Regulations and circulars issued thereunder may be suitably amended to bring consistency in percentage threshold for unitholder consent - whereby approval of 75% of unitholder (by value) may be prescribed, wherever applicable.

The draft amendment to AIF Regulations, in line with the aforesaid proposals, is given at para 1 and para 2 of [Annexure D](#).

**4. Rationalizing the ambit of conflicted transactions requiring investor consent under AIF Regulations**

**Existing regulatory framework for undertaking conflicted transactions -**

- 4.1. The term 'associate' has been defined in AIF Regulations as a company or a limited liability partnership or a body corporate in which a director or trustee or partner or Sponsor or Manager of the AIF or a director or partner of the Manager or Sponsor holds, either individually or collectively, more than 15% of its paid-up equity share capital or partnership interest, as the case may be.
- 4.2. Various provisions of AIF Regulations make a reference to the term "associate", which have been enumerated in the table at [Annexure B](#). The term has been mainly used to prescribe safeguards in context of activities/transactions that have inherent conflict of interest issues. Some of the key provisions in this context are as under –
  - (a) Regulation 15 (1) (e) & (ea) of AIF Regulations - AIFs have been allowed to invest in associates and buy or sell investments from/to associates, only with the prior approval of 75% of investors by value of their investment in the AIF/scheme.

- (b) Regulation 19F(4) & 19M of AIF Regulations - Special Situation Funds (SSFs) and Angel Funds have been entirely prohibited from investing in associates, to minimize connected party/round tripping concerns in the absence of diversification limits.
- (c) Regulation 22(b) of AIF Regulations - Any fees charged to the AIF or any investee company by an associate of the Manager or Sponsor shall be disclosed periodically to the investors.

4.3. The intent of these provisions is to ensure that transactions involving heightened conflict potential are undertaken with appropriate transparency and investor awareness, without unduly constraining legitimate commercial activity.

**Supervisory observations and need for rationalization -**

4.4. Based on experience from supervision of AIFs, it is observed that the current definition of 'associate' is narrow, thus limiting the ambit of conflicted transactions that would require investor consent to be obtained. For instance, consider the following transactions which would not require investor consent as per extant framework –

- (a) Investment by AIF in an investee company whose director is a director of the AIF's manager/sponsor;
- (b) Investment by AIF in an investee company where the controlling stake is held by the immediate relatives of director/partner of the AIF's manager/sponsor, though the director alone holds less than 15% stake in the investee company;
- (c) Investment by an AIF in an investee company whose major shareholder also owns majority stake in the manager/sponsor of the AIF; and,
- (d) AIF buying or selling its investments from a person who is a relative of the manager/sponsor or their directors/partners.

4.5. It may be seen that the aforesaid transactions are inherently conflicted transactions. However, due to the narrow definition of 'associates', these transactions do not trigger investor consent requirement under the extant framework. These examples are intended to demonstrate the need for a principle aligned and outcome oriented regulatory framework with focus on materiality of the conflict involved and addressing gaps.

**Comparative study and proposed approach -**

4.6. In the context of the said matter, similar provisions pertaining to conflicted transactions in other regulatory frameworks were studied, as given at [Annexure C](#). Based on the comparative study, it is seen that the term 'related party' has been referred under various SEBI regulations, for prescribing norms pertaining to conflicted/connected transactions. While many of these regulations consistently adopt the definition of 'related party' as given under Companies Act, 2013, certain changes have been carried out or additional entities have also been included to the 'related party' definition under these respective regulations, depending on the type of intermediary being regulated.

- 4.7. It is pertinent to note that AIF Regulations rely largely on adequate disclosures to investors and policy laid down by the AIF/manager for dealing with/managing conflict of interest issues which may arise over the course of business of the AIF. AIF Regulations mandate investor consent only for those transactions involving material conflict of interest, recognizing the sophisticated nature of AIF investors and the need for operational flexibility. Therefore, it is critical to prevent entities from exploiting the narrow regulatory definitions to evade mandatory investor approval for conflicted transactions.
- 4.8. The definition of 'related party' as given in Companies Act, 2013, is comprehensive in comparison to the definition of 'associate' given in AIF Regulations, as it covers aspects of control and relatives of key persons of the entity under consideration. Considering the same and that the same definition has been adopted under various SEBI Regulations, it is viewed that 'related party' as defined under Companies Act, 2013, provides a more suitable reference point for identifying material conflicted transactions that warrant investor consideration under the AIF framework.
- 4.9. Thus, the investor consent requirement may be made applicable to transactions with related parties of manager/sponsor of the AIF. Further, recognizing the limited role of trustee/Board of directors/designated partners of the AIF in managing the investments and day-to-day operations of the fund, it is proposed to exclude transactions with related parties of trustees/AIF (its Board of directors/designated partners) from the ambit of conflicted transactions which would require investor consent.
- 4.10. At the same time, it is also felt that the same definition of 'related party' may not be applied consistently across all the provisions of AIF Regulations where 'associate' is used, since the broad scope of 'related party' may not be required in contexts other than conflicted transactions. Thus, recognizing the need for operational flexibility, it is proposed to retain the reference to the word 'associate' in provisions not related to conflicted transactions.
- 4.11. Taken together with the proposals 1 – 6 in the consultation paper on the manner of obtaining investor consent, the aforesaid proposals are intended to strengthen the transparency and conflict management provisions in the interest of the investors, without being onerous/disruptive in day-to-day operations of the AIFs.
- 4.12. An agenda in this regard was placed for discussion before AIPAC. AIPAC recommended the above proposals, noting that they seek to provide clearer definitions and a more structured framework for identification and approval of conflicted transactions.

**Proposals for consideration:**

<b>Proposal 7.</b>	AIF Regulations may be suitably amended to include definition of 'related party' under AIF Regulations, borrowing from the definition as given under Section 2(76) of Companies Act, 2013, while suitably modifying it to suit the AIF regulatory framework. The draft amendment proposed for 'related party' definition under AIF Regulations is given at para 3 of Annexure D.
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#### Proposals for consideration:

<b>Proposal 8.</b>	For provisions in respect of conflict of interest or conflicted transactions, the term 'associate' may be replaced with the term 'related party', while retaining the existing reference to "associate" in other provisions where broader coverage is not warranted. The draft changes proposed in the AIF Regulation/circular, in line with this proposal, is also given in the table at <a href="#">Annexure B</a> .
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#### 5. Public comments

- 5.1. Considering the implications of the aforementioned matters on the market participants, public comments are invited on the proposals 01 to 08 given above. The comments / suggestions should be submitted latest by July 21, 2026, only via online web-based form through the following link:  
<https://www.sebi.gov.in/sebiweb/publiccommentv2/PublicCommentAction.do?doPublicComments=yes>
- 5.2. In case of any technical issue in submitting your comment through web based public comments form, you may highlight the issues(s) to [afdconsultation@sebi.gov.in](mailto:afdconsultation@sebi.gov.in), with a copy to [padmab@sebi.gov.in](mailto:padmab@sebi.gov.in), with the subject of the email as, "*Rationalizing investor consent and conflicted transactions for AIFs*".

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## Draft amendment to AIF Regulations

1. To insert regulation 20(25) under 'General obligations' of AIF Regulations, as under -

*"For the purpose of meeting the requirement of approval of investors as stipulated under these regulations, the manager shall obtain approval from investors of the Alternative Investment Fund/scheme in the manner as may be specified by the Board."*

The methodologies for obtaining investor consent and attendant conditions, as given in proposals 1 – 6 above, may be specified by way of issuance of a circular.

2. To streamline the provisions for investor consent under AIF Regulations as under –

S. No	Provision of AIF Regulation	Extant provision	Proposed change
I.	Regulation 9(2)	Any material alteration to the fund strategy shall be made with the consent of atleast two-thirds of unit holders by value of their investment in the Alternative Investment Fund.	Any material alteration to the fund strategy shall be made with the <del>consent</del> <b>approval</b> of atleast two-thirds of <del>unit holders</del> <b>investors</b> by value of their investment in the Alternative Investment Fund <b>or scheme of the Alternative Investment Fund.</b>
II.	Regulation 13(5)	Extension of the tenure of the close ended Alternative Investment Fund may be permitted up to two years subject to approval of two-thirds of the unit holders by value of their investment in the Alternative Investment Fund  Provided that a Accredited Investors only fund may be permitted to extend its tenure up to five years subject to the approval of two-thirds of the unit	Extension of the tenure of the close ended Alternative Investment Fund may be permitted up to two years subject to approval of <del>two-thirds</del> <b>seventy five percent</b> of the <del>unit holders</del> <b>investors</b> by value of their investment in the Alternative Investment Fund <b>or scheme of the Alternative Investment Fund.</b>  Provided that a Accredited Investors only fund may be permitted to extend its tenure up to five years subject to the approval of <del>two-thirds</del> <b>seventy five</b>

S. No	Provision of AIF Regulation	Extant provision	Proposed change
		holders by value of their investment in the Accredited Investors only fund	<b>percent</b> of the <del>unit holders</del> <b>investors</b> by value of their investment in the Accredited Investors only fund
III.	Regulation 15(1)(e)*	Alternative Investment Fund shall not invest except with the approval of seventy five percent of investors by value of their investment in the Alternative Investment Fund in - (a) associates; or (b) units of Alternative Investment Funds managed or sponsored by its Manager, Sponsor or associates of its Manager or Sponsor	Alternative Investment Fund shall not invest except with the approval of seventy five percent of investors by value of their investment in the Alternative Investment Fund or <b>scheme of the Alternative Investment Fund</b> in - (a) associates; or (b) units of Alternative Investment Funds managed or sponsored by its Manager, Sponsor or associates of its Manager or Sponsor
IV.	Regulation 15(1)(ea)*	Except with the approval of seventy-five percent of the investors by value of their investment in the scheme of Alternative Investment Fund and subject to the conditions specified by the Board, a scheme of an Alternative Investment Fund shall not buy or sell investments, from or to – (a) associates; or (b) schemes of Alternative Investment Funds managed or sponsored by its Manager, Sponsor or associates of its Manager or Sponsor; ...	No change proposed in this regard

S. No	Provision of AIF Regulation	Extant provision	Proposed change
V.	Regulation 16(4)(a)	<p>at least seventy-five percent of the investable funds shall be invested in unlisted securities or partnership interest of social ventures or in units of social ventures or in securities of social enterprises:</p> <p>Provided that an existing social impact fund may invest the remaining investable funds in securities of not for profit organizations registered or listed on a social stock exchange with the prior consent of atleast 75% of the investors by value of their investment;</p>	<p>at least seventy-five percent of the investable funds shall be invested in unlisted securities or partnership interest of social ventures or in units of social ventures or in securities of social enterprises:</p> <p>Provided that an existing social impact fund may invest the remaining investable funds in securities of not for profit organizations registered or listed on a social stock exchange with the prior <del>consent</del> <b>approval</b> of atleast <del>75%</del> <b>seventy five percent</b> of the investors by value of their investment;</p>
VI.	Regulation 18(c)	Category III Alternative Investment Funds may engage in leverage or borrow subject to consent from the investors in the fund and subject to a maximum limit, as may be specified by the Board:	Category III Alternative Investment Funds may engage in leverage or borrow subject to <del>consent</del> <b>approval</b> from the investors in the fund and subject to a maximum limit, as may be specified by the Board:
VII.	Regulation 19Q(11)	In-specie distribution of assets of the Corporate Debt Market Development Fund may be made to the unit holders, only at the time of winding up subject to the consent of seventy-five percent of the unit holders by value of their investment in such fund.	In-specie distribution of assets of the Corporate Debt Market Development Fund may be made to the unit holders, only at the time of winding up subject to the <del>consent</del> <b>approval</b> of seventy-five percent of the <del>unit holders</del> <b>investors</b> by value of their investment in such fund.
VIII.	Regulation 19AF(2)	Extension of the tenure of a migrated venture capital fund may be permitted up to two years subject to the approval of two-thirds of the unit holders by value of their investment in the migrated venture capital fund.	Extension of the tenure of a migrated venture capital fund may be permitted up to two years subject to the approval of <del>two-thirds</del> <b>seventy five percent</b> of the <del>unit holders</del> <b>investors</b> by value of their investment in the migrated venture capital fund <b>or scheme of the migrated venture capital fund.</b>

S. No	Provision of AIF Regulation	Extant provision	Proposed change
IX.	Regulation 20(10)	The external members of the Investment Committee whose names are not disclosed in the placement memorandum or in the agreement made with the investor or any other fund document at the time of on-boarding investors shall be appointed to the Investment Committee only with the consent of at least seventy five percent of the investors by the value of their investment in the Alternative Investment Fund or scheme.	The external members of the Investment Committee whose names are not disclosed in the placement memorandum or in the agreement made with the investor or any other fund document at the time of on-boarding investors shall be appointed to the Investment Committee only with the <del>consent</del> <b>approval</b> of at least seventy five percent of the investors by the value of their investment in the Alternative Investment Fund or scheme.
X.	Regulation 23(2)	Category I and Category II Alternative Investment Funds shall undertake valuation of their investments, atleast once in every six months, by an independent valuer appointed by the Alternative Investment Fund:  Provided that such period may be enhanced to one year on approval of atleast seventy-five percent of the investors by value of their investment in the Alternative Investment Fund.	Category I and Category II Alternative Investment Funds shall undertake valuation of their investments, atleast once in every six months, by an independent valuer appointed by the Alternative Investment Fund:  Provided that such period may be enhanced to one year on approval of atleast seventy-five percent of the investors by value of their investment in the Alternative Investment Fund <b>or scheme of the Alternative Investment Fund.</b>
XI.	Regulation 29(9)	Notwithstanding anything contained in sub-regulation (7), during liquidation period of a scheme, an Alternative Investment Fund may distribute investments of a scheme which are not sold due to lack of liquidity, in-specie to the investors or enter into dissolution period, after obtaining approval of at	No change proposed.

S. No	Provision of AIF Regulation	Extant provision	Proposed change
		<p>least seventy five percent of the investors by value of their investment in the scheme of the Alternative Investment Fund, in the manner and subject to conditions specified by the Board from time to time:</p> <p>Provided that in the absence of consent of unit holders for exercising the options under sub-regulation (9) during liquidation period, such investments of the scheme of the Alternative Investment Fund shall be dealt with in the manner as may be specified by the Board from time to time.</p>	

The investor consent provisions in circulars issued under AIF Regulations shall also be modified suitably in line with the aforesaid proposed amendment.

3. To insert definition of 'related party' under regulation 2(1) of AIF Regulations as under -

*"related party" in relation to manager or sponsor of an Alternative Investment Fund, means –*

- (i) a relative;*
- (ii) a director, partner or his relative;*
- (iii) a key management personnel or his relative;*
- (iv) a firm, in which a director, partner, manager or his relative is a partner;*
- (v) a private company in which a director, partner or manager or his relative is a member or director;*
- (vi) a public company in which a director, partner or manager is a director or holds along with his relatives, more than two per cent. of its paid-up share capital;*

- (vii) *any body corporate or entity whose board of directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director, partner or manager;*
- (viii) *any person on whose advice, directions or instructions a director, partner or manager is accustomed to act:*  
*Provided that nothing in sub-clauses (vii) and (viii) shall apply to the advice, directions or instructions given in a professional capacity;*
- (ix) *any body corporate which is—(A) a holding, subsidiary or an associate company of the sponsor or manager of Alternative Investment Fund; or (B) a subsidiary of a holding company to which the sponsor or manager of Alternative Investment Fund is also a subsidiary; (C) an investing company or the venturer of the sponsor or manager of Alternative Investment Fund;*
- (x) *a director, other than an independent director, or key managerial personnel of the holding company or his relative with reference to a company, shall be deemed to be a related party.*
- (xi) *such other person as may be specified by the Board.*

*For the purpose of this regulation, unless the context otherwise requires, the terms defined herein shall bear the meanings assigned to them under the Companies Act, 2013, or any statutory modification or re-enactment thereto, as the case may be”*

4. The provisions of AIF Regulations which are proposed to amended in relation to related party reference are enumerated in the table at [Annexure B](#). The same is given in comparison to the extant provisions for ease of reference.

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## Extant provisions prescribing investor consent requirement under AIF Regulations

S. No.	Regulatory requirement	Threshold of investor consent
I.	Regulation 9(2) of AIF Regulations - Any material alteration to the fund strategy	Consent of at least two-thirds of unit holders by value of their investment in the AIF.
II.	Regulation 13(5) of AIF Regulations - Extension of tenure of close ended scheme of AIF (by maximum 5 years for AI only funds and 2 years for other AIF schemes).	Approval of two-thirds of the unit holders by value of their investment in the AIF.
III.	Regulation 15(1)(e) of AIF Regulations – Investment by AIF in associates or in units of AIFs managed/sponsored by its Manager/sponsor/their associates.	Approval of seventy five percent of investors by value of their investment in the AIF
IV.	Regulation 15(1)(ea) of AIF Regulations – Buying/selling of investments by scheme of AIF, from or to – (a) associates; or (b) schemes of AIFs managed/sponsored by its Manager/sponsor/their associates; or (c) an investor who has committed to invest at least fifty percent of the corpus of the scheme of AIF	Approval of seventy five percent of the investors by value of their investment in the scheme of AIF
V.	Regulation 16(4)(a) of AIF Regulations – Investment of the remaining investable funds by existing social impact fund in securities of not for profit organizations registered or listed on a social stock exchange	Prior consent of at least 75% of the investors by value of their investment
VI.	Regulation 18(c) of AIF Regulations – Engaging in leverage or borrowing by Category III AIFs	Consent from the investors in the fund
VII.	Regulation 19Q(11) of AIF Regulations – In-specie distribution of assets of the Corporate Debt Market Development Fund at the time of winding up	Consent of seventy-five percent of the unit holders by value of their investment in such fund.

<b>S. No.</b>	<b>Regulatory requirement</b>	<b>Threshold of investor consent</b>
VIII.	Regulation 19AF(2) of AIF Regulations – Extension of the tenure of a migrated venture capital fund permitted up to two years	Approval of two-thirds of the unit holders by value of their investment in the migrated venture capital fund.
IX.	Regulation 20(10) of AIF Regulations – Appointment of external members of approving Investment Committee whose names were not disclosed in the PPM/fund documents at the time of on-boarding investors	Consent of at least seventy five percent of the investors by the value of their investment in the AIF or scheme
X.	Regulation 23(2) of AIF Regulations – Decreasing frequency of independent valuation of investments of Category, I and Category II AIFs from once in six months to once in a year.	Approval of at least seventy-five percent of the investors by value of their investment in the AIF.
XI.	Regulation 29(9) of AIF Regulations – Option for an AIF to distribute investments of a scheme which are not sold due to lack of liquidity, in-specie to the investors or enter into dissolution period, during liquidation period of a scheme	Approval of at least seventy-five percent of the investors by value of their investment in the scheme of the AIF
XII.	Clause 2.5.5 of Master Circular- Exemption from providing exit to dissenting investors in case of material changes significantly influencing the decision of the investor to continue to be invested in the AIF	Approval of not less than 75% of unit holders by value of their investment in the AIF.
XIII.	Clause 8.2 of Master Circular- AIF investing in units of other AIFs, if not disclosed upfront in PPM	Consent of at least two-thirds of unit holders by value of their investment in the AIF.
XIV.	Clause 23.2.1 of Master Circular- Carrying out in specie distribution of investments of a scheme of an AIF in terms of Regulation 29(8) of AIF Regulations (other than the aforesaid mandatory in specie distribution)	Approval of at least seventy-five percent of the investors by value of their investment in the scheme of the AIF

## Regulations/circular provisions pertaining to 'Associate' under AIF Regulations and proposed changes

S. No.	Extant provision in AIF Regulations/Circulars	Proposed changes
1.	<p><u>Regulation 15(1)(e) of AIF Regulations –</u> Alternative Investment Fund shall not invest except with the approval of seventy- five percent of investors by value of their investment in the Alternative Investment Fund in</p> <p>(a) <b>associates</b>; or</p> <p>(b) units of Alternative Investment Funds managed or sponsored by its Manager, Sponsor or <b>associates</b> of its Manager or Sponsor.</p>	<p>Alternative Investment Fund shall not invest except with the approval of seventy- five percent of investors by value of their investment in the Alternative Investment Fund in</p> <p>(a) <b>related parties of manager or sponsor of AIF</b>; or</p> <p>(b) units of Alternative Investment Funds managed or sponsored by its Manager, Sponsor or <b>related parties</b> of its Manager or Sponsor.</p>
2.	<p><u>Regulation 15(1)(ea) of AIF Regulations –</u> Except with the approval of seventy-five percent of the investors by value of their investment in the scheme of Alternative Investment Fund and subject to the conditions specified by the Board, a scheme of an Alternative Investment Fund shall not buy or sell investments, from or to –</p> <p>(a) <b>associates</b>; or</p> <p>(b) schemes of Alternative Investment Funds managed or sponsored by its Manager, Sponsor or <b>associates</b> of its Manager or Sponsor; ...</p>	<p>Except with the approval of seventy-five percent of the investors by value of their investment in the scheme of Alternative Investment Fund and subject to the conditions specified by the Board, a scheme of an Alternative Investment Fund shall not buy or sell investments, from or to –</p> <p>(a) <b>related parties of manager or sponsor of AIF</b>; or</p> <p>(b) schemes of Alternative Investment Funds managed or sponsored by its Manager, Sponsor or <b>related parties</b> of its Manager or Sponsor; ...</p>
3.	<p><u>Regulation 19F(1) of AIF Regulations –</u> Angel funds shall invest only in startups, which are not promoted or sponsored by or related to a corporate group whose group turnover exceeds three hundred crore rupees:</p>	No change proposed.

S. No.	Extant provision in AIF Regulations/Circulars	Proposed changes
	<p>Explanation I: For the purpose of this clause, "corporate group" shall include a group of body corporates with the same promoter(s)/promoter group, a parent company and its subsidiaries, a group of body corporates in which the same person/ group of persons exercise control, and a group of body corporates consisting of <b>associates</b>/ subsidiaries/ holding companies.</p>	
4.	<p><u>Regulation 19F(4) of AIF Regulations –</u> Angel funds shall not invest in <b>associates</b>.</p>	<p>Angel funds shall not invest in <b>related parties of the manager or sponsor of the Angel Fund</b>.</p>
5.	<p><u>Regulation 19M of AIF Regulations –</u> Special situation funds shall invest only in special situation assets and may act as a resolution applicant under the Insolvency and Bankruptcy Code, 2016: Provided that the special situation fund shall not invest in,</p> <ol style="list-style-type: none"> <li>i. its <b>associates</b>; or</li> <li>ii. the units of any other Alternative Investment Fund other than the units of a special situation fund; or</li> <li>iii. units of special situation funds managed or sponsored by its manager, sponsor or <b>associates</b> of its manager or sponsor.</li> </ol>	<p>Special situation funds shall invest only in special situation assets and may act as a resolution applicant under the Insolvency and Bankruptcy Code, 2016: Provided that the special situation fund shall not invest in,</p> <ol style="list-style-type: none"> <li>i. <b>related parties of the manager or sponsor of the special situation fund</b>; or</li> <li>ii. the units of any other Alternative Investment Fund other than the units of a special situation fund; or</li> <li>iii. units of special situation funds managed or sponsored by its manager, sponsor or <b>related parties</b> of its manager or sponsor.</li> </ol>
6.	<p><u>Regulation 20(11A) of AIF Regulations –</u> A Custodian which is an <b>associate</b> of the Sponsor or Manager of an Alternative Investment Fund may act as a custodian for that Alternative Investment Fund only when all the following conditions are met:</p> <ol style="list-style-type: none"> <li>a. the Sponsor or Manager has a net worth of at least twenty thousand crore rupees at all points of time;</li> <li>b. fifty per cent or more of the directors of the Custodian do not represent the interest of the Sponsor or Manager or their <b>associates</b>;</li> </ol>	<p>No change proposed.</p>

S. No.	Extant provision in AIF Regulations/Circulars	Proposed changes
	<p>c. the Custodian and the Sponsor or Manager of the Alternative Investment Fund are not subsidiaries of each other;</p> <p>d. the custodian and the Sponsor or Manager of the Alternative Investment Fund do not have common directors; and</p> <p>e. the Custodian and the Manager of the Alternative Investment Fund sign an undertaking that they shall act independently of each other in their dealings of the schemes of the Alternative Investment Fund.</p>	
7.	<p><u>Regulation 22(b) of AIF Regulations –</u>  All Alternative Investment Funds shall ensure transparency and disclosure of information to investors on the following –  any fees ascribed to the Manager or Sponsor; and any fees charged to the Alternative Investment Fund or any investee company by an <b>associate</b> of the Manager or Sponsor shall be disclosed periodically to the investors;</p>	All Alternative Investment Funds shall ensure transparency and disclosure of information to investors on the following – any fees ascribed to the Manager or Sponsor; and any fees charged to the Alternative Investment Fund or any investee company by a <b>related party</b> of the Manager or Sponsor shall be disclosed periodically to the investors;
8.	<p><u>Information to be collected as part of Form A of AIF Regulations for registration as AIF –</u>  Whether the applicant or its <b>associates</b> or its sponsor(s) or its manager(s) is/ are registered with the Board, Reserve Bank of India or any other regulatory authority in any capacity along with the details of its registration.</p>	No change proposed.
<b>Regulatory provisions in circulars issued under AIF Regulations -</b>		
9.	<p>Regulation 11(2) of the AIF Regulations requires that an AIF shall include history of disciplinary actions in its PPM. In this regard, it is clarified that all AIFs shall include in their PPM, disciplinary history of:</p> <p>(i) AIF, sponsor, manager and their directors/partners/promoters and <b>associates</b>;</p> <p>(ii) If applicant is a trust, trustees or trustee company and its directors.</p>	No change proposed.

S. No.	Extant provision in AIF Regulations/Circulars	Proposed changes
10.	The Merchant Banker appointed for filing of PPM shall not be an <b>associate</b> of the AIF, its sponsor, manager or trustee.	No change proposed.
11.	<p>AIFs, which propose to invest in units of other AIFs, shall provide, <i>inter-alia</i>, the following information in their PPMs:</p> <p>(b) Proposed allocation of investment in units of other AIFs;</p> <p>(c) Out of total fees and expenses charged to investors of the AIF, portion of fees and expenses which may be attributed to investment in units of other AIFs;</p> <p>(d) Process to be followed by the Manager to ensure compliance with investment conditions as specified in Regulation 15 and Regulation 16 or 17 or 18 (as applicable) of AIF Regulations;</p> <p>(e) Whether any investments are proposed to be made in units of other AIFs managed/ sponsored by the same Manager/ Sponsor or <b>associates</b> of the Manager/ Sponsor and details thereof, including allocation, fees, expenses, etc.</p>	<p>AIFs, which propose to invest in units of other AIFs, shall provide, <i>inter-alia</i>, the following information in their PPMs:</p> <p>(a) Proposed allocation of investment in units of other AIFs;</p> <p>(b) Out of total fees and expenses charged to investors of the AIF, portion of fees and expenses which may be attributed to investment in units of other AIFs;</p> <p>(c) Process to be followed by the Manager to ensure compliance with investment conditions as specified in Regulation 15 and Regulation 16 or 17 or 18 (as applicable) of AIF Regulations;</p> <p>(d) Whether any investments are proposed to be made in units of other AIFs managed/ sponsored by the same Manager/ Sponsor or <b>related parties</b> of the Manager/ Sponsor and details thereof, including allocation, fees, expenses, etc.</p>
12.	Investment by an Angel Fund in an investee company shall be locked-in for a period of one year. 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 <b>associates</b> . Any such sale shall be subject to terms of Articles of Association of the investee company.	No change proposed.
13.	The AIF, manager, trustee and sponsor shall act in the interest of unitholders of the AIF/scheme and not take any action which is prejudicial to the interest of the unitholders and not place the interest of the sponsor/manager/trustee	The AIF, manager, trustee and sponsor shall act in the interest of unitholders of the AIF/scheme and not take any action which is prejudicial to the interest of the unitholders and not place the interest of the sponsor/manager/trustee of the AIF or any of

S. No.	Extant provision in AIF Regulations/Circulars	Proposed changes
	of the AIF or any of their <b>associates</b> above the interest of the unitholders of the scheme/AIF.	their <b>associates or related parties</b> above the interest of the unitholders of the scheme/AIF.
14.	For the purpose of Regulation 15(1)(e) of AIF Regulations, prior to every investment in an <b>associate</b> or in units of an AIF managed or sponsored by Manager, Sponsor or <b>associates</b> of Manager or Sponsor, approval of the investors as specified shall be obtained.	For the purpose of Regulation 15(1)(e) of AIF Regulations, prior to every investment in a <b>related party of the manager or sponsor of the AIF</b> or in units of an AIF managed or sponsored by Manager, Sponsor or <b>related parties</b> of Manager or Sponsor, approval of the investors as specified shall be obtained.
15.	The independent valuer shall not be an <b>associate</b> of manager or sponsor or trustee of the AIF.	No change proposed.
16.	In case manager or sponsor of an AIF subscribes to junior / subordinate class(es) of units of the AIF/scheme of the AIF, it shall be ensured that the amount invested by the AIF/scheme of the AIF is not utilized by an investee company, directly or indirectly, to repay any of its obligations or liabilities towards the manager or sponsor of the AIF or their <b>associates</b> .	In case manager or sponsor of an AIF subscribes to junior / subordinate class(es) of units of the AIF/scheme of the AIF, it shall be ensured that the amount invested by the AIF/scheme of the AIF is not utilized by an investee company, directly or indirectly, to repay any of its obligations or liabilities towards the manager or sponsor of the AIF or their <b>related parties</b> .
17.	For every scheme of an AIF: (i) whose manager or sponsor is an entity regulated by RBI; or, (ii) that has investor(s) regulated by RBI who: I. individually or along with investors of the same group contribute(s) 25 percent or more to the corpus of the scheme; or, II. is an <b>associate</b> of the manager/sponsor of the AIF; or, III. by itself, or through its representative(s)/nominee(s), has majority or veto power in voting over decisions of the investment committee set up by the manager to approve investment decisions of the scheme;	No change proposed.

S. No.	Extant provision in AIF Regulations/Circulars	Proposed changes
	<p>necessary due diligence as per the implementation standards formulated by SFA, shall be carried out.</p>	
18.	<p><b><u>Stewardship code - Principle 2</u></b>  <i>Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.</i></p> <p><b>Guidance</b>  As a part of the aforesaid comprehensive policy, institutional investors should formulate a detailed policy for identifying and managing conflicts of interest. The policy shall be intended to ensure that the interest of the client/beneficiary is placed before the interest of the entity. The policy should also address how matters are handled when the interests of clients or beneficiaries diverge from each other.</p> <p>The conflict of interest policy formulated shall, among other aspects, address the following:</p> <p>(e) Identifying possible situations where conflict of interest may arise. E.g. in case of investee companies being <b>associates</b> of the entity.</p>	No change proposed.

S. No.	Regulations	Provisions/norms relating to transactions with connected entities/RPT	Definition of terms referred in these provisions
(1)	Companies Act, 2013	Requirements with respect to related party transactions - Consent of Board of Directors required for certain specific related party transactions, such as sale/purchase/supply of goods/materials, selling/buying property of any kind etc.	<p>“<b>related party</b>”, with reference to a company, means—</p> <ul style="list-style-type: none"> <li>(i) a director or his relative;</li> <li>(ii) a key managerial personnel or his relative;</li> <li>(iii) a firm, in which a director, manager or his relative is a partner;</li> <li>(iv) a private company in which a director or manager or his relative is a member or director;</li> <li>(v) a public company in which a director or manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital;</li> <li>(vi) any body corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;</li> <li>(vii) any person on whose advice, directions or instructions a director or manager is accustomed to act: <ul style="list-style-type: none"> <li>Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;</li> </ul> </li> <li>(viii) any body corporate which is— (A) a holding, subsidiary or an associate company of such company; (B) a subsidiary of a holding company to which it is also a subsidiary; or (C) an investing company or the venturer of the company.</li> </ul> <p>Explanation.—For the purpose of this clause, “the investing company or the venturer of a company” means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate;</p>

S. No.	Regulations	Provisions/norms relating to transactions with connected entities/RPT	Definition of terms referred in these provisions
			<p>(ix) such other person as may be prescribed*;</p> <p>*[a director, other than an independent director, or key managerial personnel of the holding company or his relative with reference to a company, shall be deemed to be a related party)</p> <p>“relative”, with reference to any person, means anyone who is related to another, if— (i) they are members of a Hindu Undivided Family; (ii) they are husband and wife; or (iii) one person is related to the other in such manner as may be prescribed*.</p> <p>*(A person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely:-</p> <ul style="list-style-type: none"> <li>(a) Father, including step-father</li> <li>(b) Mother, including step- mother</li> <li>(c) Son, including step-son</li> <li>(d) Son’s wife</li> <li>(e) Daughter</li> <li>(f) Daughter’s husband</li> <li>(g) Brother, including step-brother</li> <li>(h) Sister, including step – sister)</li> </ul> <p>“associate company”, in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.</p> <p>Explanation. — For the purpose of this clause, — (a) the expression “significant influence” means control of at least twenty per cent. of total voting power, or control of or participation in business decisions under an agreement; (b) the expression “joint venture”</p>

S. No.	Regulations	Provisions/norms relating to transactions with connected entities/RPT	Definition of terms referred in these provisions
			means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.
(2)	SEBI (Listing Obligations and Disclosure Requirements Regulations, 2015)	<p>All material RPTs shall require prior approval of the shareholders, excluding related parties from voting.</p> <p>Audit committees are required to pre-approve all RPTs and review existing ones periodically.</p> <p>Listed companies must submit a half-yearly RPT disclosure in a prescribed format to the stock exchanges and publish the same on the company's website.</p>	<p>“related party” means a related party as defined under Companies Act, 2013 or under the applicable accounting standards:</p> <p>Provided that:</p> <p>(a) any person or entity forming a part of the promoter or promoter group of the listed entity; or</p> <p>(b) any person or any entity, holding equity shares:</p> <p style="padding-left: 40px;">(i) of twenty per cent or more; or</p> <p style="padding-left: 40px;">(ii) of ten per cent or more, with effect from April 1, 2023;</p> <p>in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding FY; shall be deemed to be a related party:</p> <p>“associate” shall mean any entity which is an associate under the Companies Act, 2013 or under the applicable accounting standards</p>
(3)	SEBI (Portfolio Managers) Regulations, 2020	<p>Portfolio manager may make investments in securities of its related parties or its associates only after obtaining the prior consent of the client.</p> <p>The portfolio manager shall not be allowed to invest clients' funds in unrated securities of their related parties or their associates.</p>	<p>“related party” in relation to a portfolio manager, broadly borrows its definition from that under SEBI (LODR) Regulations, 2012.</p> <p>The definition is suitably modified to include <u>parties connected to partner of the portfolio manager (parallel to director in a company)</u>, since a portfolio manager can also be set up as a LLP.</p> <p>For the purpose of prohibition on investment in unrated securities, ‘associate’ shall mean –</p>

S. No.	Regulations	Provisions/norms relating to transactions with connected entities/RPT	Definition of terms referred in these provisions
		<p>The Disclosure Document, shall inter alia include –</p> <ul style="list-style-type: none"> <li>• complete disclosures of transactions with related parties as per the accounting standards specified by the ICAI</li> <li>• details of conflicts of interest related to services offered by group companies or associates of the portfolio manager</li> <li>• details of investment of client’s funds by the portfolio manager in the securities of its related parties or associates.</li> </ul>	<p>a. a body corporate in which a director or partner of the portfolio manager holds, either individually or collectively, more than twenty percent of its paid-up equity share capital or partnership interest, as the case may be; or</p> <p>b. a body corporate which holds, either individually or collectively, more than twenty percent of the paid-up equity share capital or partnership interest, as the case may be of the portfolio manager.</p>
(4)	SEBI (Infrastructure Investment Trusts) Regulations, 2014	Approval from unitholders shall be obtained for any subsequent transaction with any related party, if (i) total value of RPT for buying/selling of assets/investments in a FY > 5% of InvIT assets or (ii) value of funds borrowed from related parties in a FY > 5% of total consolidated borrowings of InvIT.	<p>“related parties” shall be defined under the Companies Act, 2013 or under the applicable accounting standards and shall also include <u>parties to the InvIT and their promoters, directors and partners.</u></p> <p>“parties to the InvIT” shall include the sponsor groups, investment manager, project manager(s) and the trustee.</p> <p>“associate” of any person means associate company as defined under the Companies Act, 2013 or under the applicable accounting standards and shall also include</p> <ul style="list-style-type: none"> <li>(i) any person controlled, directly or indirectly, by the said person;</li> <li>(ii) any person who controls, directly or indirectly, the said person;</li> </ul>

S. No.	Regulations	Provisions/norms relating to transactions with connected entities/RPT	Definition of terms referred in these provisions
		All RPTs of an InvIT shall be disclosed to the designated stock exchanges and unit holders periodically.	(iii) where the said person is a company or a body corporate, any person(s) who is designated as promoter(s) of the company or body corporate and any other company or body corporate with the same promoter(s); (iv) where the said person is an individual, any relative of the individual;
(5)	SEBI (Real Estate Investment Trusts) Regulations, 2014	Same as in InvIT Regulations as given above, albeit with the threshold of 10% instead of 5%	“related party” shall be defined under the Companies Act, 2013 or under the applicable accounting standards and shall also include parties to the REIT and their promoters, directors and partners;  “parties to the REIT” shall include the sponsor group(s), inducted sponsor(s), manager, and trustee;
(6)	SEBI (Mutual Funds) Regulations, 1996	-----	“associate” includes a person, — (i) who directly or indirectly, by himself, or in combination with relatives, exercises control over the asset management company or the trustee or the sponsor, as the case may be, or (ii) in respect of whom the asset management company or the trustee or the sponsor, directly or indirectly, by itself, or in combination with other persons exercises a control, or  whose director except an independent director , officer or employee is a director, officer or employee of the asset management company.