

KEY CONCEPTS

■ Fund Management Entity ■ Accredited Investor ■ Fund of funds scheme ■ Third-Party Fund Management Services ■ Venture Capital Fund ■ Venture Capital Schemes ■ ESG Funds ■ Retail Schemes ■ Non-Retail Schemes ■ Special Situation Funds ■ Special Purpose Vehicle (SPVs) ■ Stewardship Code ■ Securities Transaction Tax

Learning Objectives

To understand:

- The meaning and scope of fund management and its importance in the financial system.
- The regulatory framework of IFSCA governing fund management activities in IFSCs.
- The role, functions, and responsibilities of fund managers and Fund Management Entities (FMEs).
- Different types of investment funds and schemes operating in an IFSC.
- The concept of pooled investments and how funds are structured and managed.
- The importance of risk management, valuation, and diversification in fund management.
- Stewardship Code for Fund Managers and Institutional Investors operating within GIFT City IFSC.
- The importance of investor protection, disclosures, and governance standards.
- The taxation of funds in the IFSC

Lesson Outline

- Introduction to Fund Management
- Fund Management Entity
- AIFs in IFSC – Types of Schemes
- Valuation for Fund Managers
- Investment Trust in IFSCs
- General Obligations and Responsibilities
- Third-Party Fund Management Services, SPVs and co-investments, ESG Funds at IFSC
- Ethics and Governance in Fund Management
- Taxation of Funds in the IFSC
- Lesson Round-up
- Glossary
- Test Yourself
- List of Further Readings

INTRODUCTION TO FUND MANAGEMENT

Fund management is an important part of the financial system that helps individuals and institutions invest their money in a planned and professional manner. In simple terms, fund management refers to the process of collecting money from investors and investing it in different financial instruments such as shares, bonds, money market instruments, real estate, or other assets, with the objective of generating returns while managing risk.

Most investors may not have the time, knowledge, or expertise to study financial markets on a daily basis. Fund management solves this problem by allowing professional fund managers to make investment decisions on behalf of investors. These professionals analyze market trends, assess risks, select suitable investment opportunities, and continuously monitor the performance of investments. As a result, investors benefit from expert decision-making and diversification of their investments.

Fund management usually operates through pooled investment vehicles such as mutual funds, alternative investment funds (AIFs), venture capital funds, hedge funds, and investment trusts. In these structures, money from multiple investors is pooled together and invested according to a defined investment objective and strategy. Each investor holds units or shares of the fund in proportion to their investment.

A key feature of fund management is diversification. Instead of investing all money in a single asset, fund managers spread investments across different sectors, companies, or asset classes. This helps reduce risk, as losses in one investment may be offset by gains in another. At the same time, fund managers aim to achieve the best possible returns within the acceptable level of risk.

In an International Financial Services Centre (IFSC), fund management activities are carried out under a well-defined regulatory framework. Fund Management Entities (FMEs) are required to register with the International Financial Services Centres Authority (IFSCA) and comply with specific rules relating to investor protection, disclosure, risk management, and governance. This regulatory oversight ensures transparency, accountability, and confidence among investors.

Fund Management Entity

A Fund Management Entity (FME) is an entity registered with the International Financial Services Centres Authority (IFSCA) under one of the prescribed categories, namely Authorised FME, Registered FME (Non-Retail), or Registered FME (Retail), for the purpose of carrying out the business of fund management in an International Financial Services Centre (IFSC). FME is governed as per IFSCA (Fund Management) Regulations, 2025.

The registration of a FME with the IFSCA enables the Authority to exercise direct regulatory oversight over the fund manager, in line with best-in-class global regulatory practices. This ensures effective supervision, transparency, and protection of investor interests within the IFSC framework.

Further, registration as FME allows the entity to undertake a wide range of fund management-related activities under a single regulatory approval, thereby providing operational flexibility and ease of doing business. Such activities may include managing alternative investment funds, venture capital funds, retail investment schemes, and other permitted fund management services, subject to the applicable regulatory provisions.

Registration of Fund Management Entity (FME)

1. Obligation to seek registration

- (1) Any entity desirous to undertake the business of fund management under these regulations must not commence operations in an IFSC unless it has obtained a certificate of registration from the IFSCA as a FME.
- (2) An entity desirous of obtaining a certificate of registration as a FME in IFSC must submit an

application form including the declarations and undertakings, along with documents and application fees as specified by the IFSCA.

- (3) An application which is not complete in all respects will be liable to be rejected.
- (4) The applicant must seek registration under any of the following three categories:
 - a) Authorised FME:
 - i) The FMEs that pool money from accredited investors or investors investing above the specified threshold by way of private placement and invest in start-ups or early-stage ventures through the Venture Capital Scheme.
 - ii) The FMEs set up by a Single Family to manage its Family Investment Fund for investing in financial products, including securities and such other permitted asset classes.
 - b) Registered FME (Non-Retail):
 - i) The FMEs that pool money from accredited investors or investors investing above a specified threshold by way of private placement for investing in financial products, including securities, and such other permitted asset classes through one or more restricted schemes.
 - ii) Such FMEs are also able to undertake Portfolio Management Services (including for multi-family office) and act as investment manager for private placement of Investment Trusts (REITs and InvITs).
 - iii) Such FMEs are also able to undertake all activities as permitted to Authorised FMEs.
 - c) Registered FME (Retail):
 - i) The FMEs that pool money from all investors or a section of investors under one or more schemes for investing in financial products, including securities, and such other permitted asset classes through retail schemes.
 - ii) A Registered FME (Retail) acts as investment manager for public offer of Investment Trusts (REITs and InvITs) and is also able to launch Exchange Traded Funds (ETFs).
 - iii) Further, such FMEs are also able to undertake all activities as permitted to Authorised FMEs and Registered FMEs (Non-retail).

2. Legal form of the applicant

- (1) The applicant set up in IFSC in the form of a company or LLP or branch or any other form as permitted by the IFSCA. A Registered FME (Retail) must not be permitted in the form of an LLP or branch. Further, the branch structure is permitted only for a FME which is already registered or regulated by a financial sector regulator in India or a foreign jurisdiction for conducting similar activities.
- (2) A FME operating in a branch structure in an IFSC must comply with the following conditions:
 - a) The parent entity must adequately ring-fence the operations of the branch in IFSC.
 - b) The parent entity must maintain such minimum capital as may be specified by the Authority, which at all times is earmarked for its branch in IFSC and held in the jurisdiction where the parent entity is incorporated.
 - c) Any other requirements as may be specified by the IFSCA.

- (3) The memorandum of association in case of a company, or the LLP agreement in case of a LLP, permits it to carry on the activity of Fund Management.
- (4) A Registered FME (Retail) must have at least four directors, with at least fifty per cent of them to be independent directors and not associated with the FME.

3. Track Record and Reputation of Fairness

- (1) The applicant must have a sound track record and a general reputation of fairness and integrity in all its business transactions.
- (2) Sound track record means:
 - a) In case of Registered FME (Retail):
 - i) The FME, its holding company, or their subsidiaries, must have at least five years of experience in collectively managing Assets under Management (AUM) of at least USD 200 million with more than twenty-five thousand investors, or
 - ii) Person(s) in control of the FME holding at least twenty-five per cent shareholding in the FME be carrying on activities related to fund management, including portfolio management, wealth management, distribution of financial products, and investment advisory, for a period not less than five years, collectively for at least one thousand investors on assets of at least USD 50 million, and such FME has a net worth of at least USD 2 Million or such other amount as may be specified. The Authority will specify any other criteria for determining a sound track record to facilitate new generation fintech companies with innovative ideas that may lead to further market development.
 - b) In the case of Registered FME (non-retail) and Authorised FME, their employees must have relevant experience.

4. Appointment of Principal Officers and other Key managerial personnel(s) (KMP)

- (1) The applicant must designate a principal officer who will be responsible for the overall activities of the FME, including but not limited to fund management, risk management and compliance.
- (2) In the case of a Registered FME, in addition to the principal officer, one additional KMP must be designated as Compliance Officer, who will be responsible for compliance with the regulations and ensure implementation of risk management policies and practices at the FME.
- (3) In case of Registered FME (Retail), the FME must, in addition to the principal officer and compliance officer, appoint, before filing with the IFSCA the offer document of its first retail scheme or ETF, an additional KMP who must be assigned the responsibility of fund management.
- (4) Any FME that is managing an AUM of at least USD 1 billion, excluding the AUM of fund of funds schemes, as at the close of a financial year, must, in addition to the principal officer and compliance officer, appoint an additional KMP, who will be assigned the responsibility of fund management. The appointment of the additional KMP must be made within 6 months from the end of such financial year. Further, the continuation of the additional KMP is optional if the AUM remains below USD 1 billion for any two subsequent consecutive financial years and there is a reasonable expectation that the AUM will not exceed USD 1 billion in the near term.

Also, that FMEs which are set up by the Government and Government-related investors such as central banks, sovereign wealth funds, international or multilateral organisations or agencies, including entities controlled or at least seventy-five per cent directly or indirectly owned by such

Government and Government related investor wherein such investors are the sole contributors, directly or indirectly, of the schemes launched by such FMEs, the appointment of the additional KMP is not required.

- (5) The applicant must ensure that the principal officer and other KMPs are based out of IFSC and meet the following educational qualifications and experience requirements:

- a) A professional qualification or post-graduate degree or post graduate diploma (minimum one year in duration) in finance, law, accountancy, business management, commerce, economics, capital market, banking, insurance or actuarial science from a university or an institution recognised by the Central Government or any State Government or a recognised foreign university or institution or association or a CFA or a FRM from Global Association of Risk Professionals or any other relevant educational qualifications as may be specified by the IFSCA.

If the principal officer has a work experience of at least 15 years in the activities related to fund management, including portfolio management, investment advisory or similar activities, the minimum educational qualification required for such a person is a graduate degree in any field.

- b) In addition to the qualifications mentioned in (a), an experience of at least five years in related activities in the securities market or financial products including in a portfolio manager, fund manager, investment advisor, broker dealer, investment banker, wealth manager, research analyst, credit rating agency, market infrastructure institution, financial sector regulator or consultancy experience in areas related to fund management, such as deal due diligence, transaction advisory or similar activities.

The consultancy experience in areas related to fund management, such as deal due diligence, transaction advisory, etc. must be considered for a maximum period of two years and experience in other areas as mentioned in (b) will be required for at least three years. Further, for the KMP, the experience mentioned in (b) will be required for a minimum period of three years if such a KMP possesses a professional qualification and has experience in compliance or risk management in a listed company or an entity regulated by a financial sector regulator.

The professional qualification includes membership of Institute of Chartered Accountants of India, Institute of Company Secretaries of India, Institute of Cost Accountants of India or any institution equivalent thereto in a foreign jurisdiction, and for KMP also includes Bachelor of Laws (LLB) from a university or an institution recognised by the Central Government or any State Government or a recognised foreign university or institution or association.

- (6) The employees of FME shall undergo such certification courses from such institutions as may be specified by the IFSCA.
- (7) The proposal on the portfolio composition of a fund shall be initiated by a person who is based in the office of the FME in the IFSC.
- (8) The FME must appoint other personnel commensurate with the size of its operations and activities.
- (9) Any appointment and changes to the KMPs appointed must take place only in the manner specified by the IFSCA.

5. Net worth requirements

- (1) An entity seeking registration as a FME must at all times comply with the net worth requirements as given below:

S. No.	Category	Net Worth
1	Authorised FME	USD 75,000
2	Registered FME (Non-retail)	USD 5,00,000
3	Registered FME (Retail)	USD 1,000,000

or such other amount as may be specified by the IFSCA.

- (2) An entity operating as a branch must at all times comply with the minimum net worth requirements for its activities in IFSC, which must be maintained at the level of the parent entity, and the parent entity must ensure that adequate funds are available for the day-to-day operations of the branch.
- (3) The minimum net worth requirements as stated above must be separate and in addition to the minimum net worth requirements applicable for other activities within or outside IFSC.

6. Fit and proper requirements

- (1) The applicant and its principal officer, directors/ partners/ designated partners, key managerial personnel and controlling shareholders must be fit and proper persons at all times.
- (2) A person will be deemed to be a fit and proper person if:
 - a) such person has a record of fairness and integrity, including but not limited to
 - i) financial integrity
 - ii) good reputation and character
 - iii) honesty
 - b) such person has not incurred any of the following disqualifications –
 - i) the person has been convicted by a court of law for any offence involving moral turpitude or any economic offence or any offence against securities laws
 - ii) a charge sheet has been filed against such person by any Indian enforcement agency in matters concerning economic offences and is pending
 - iii) charges have been framed by a court of law or an equivalent institution in matters concerning economic offences
 - iv) a recovery proceeding has been initiated against the person by a financial regulatory authority and is pending
 - v) an order for winding up has been passed against the person for malfeasance
 - vi) the person has been declared insolvent and not discharged
 - vii) an order restraining, prohibiting or debarring the person from accessing or dealing in financial product(s) or financial service(s), has been passed by any regulatory authority, in any matter concerning securities laws or financial services market and such order is in force
 - viii) any other order against the person, which has a material bearing on the securities market, has been passed by the IFSCA or any other regulatory authority, and a period of three years from the date of the order has not elapsed.

- ix) the person has been found to be of unsound mind by a court of competent jurisdiction and the finding is in force
 - x) the person is not financially sound or has been categorised as a wilful defaulter
 - xi) the person has been declared a fugitive economic offender
 - xii) any other disqualification as may be specified by the IFSCA
- (3) Where any person has been declared as not 'fit and proper person' by an order of a regulatory authority, such a person must not be eligible to apply for any registration until she satisfies the fit and proper criteria.

7. Consideration of Application and Grant of Certificate of Registration

The IFSCA, on receipt of all information and on being satisfied, grant a Certificate of Registration as FME to the applicant under the appropriate category, subject to the applicant paying the applicable registration fee.

8. Constitution of the Fund / Scheme

- 1) A FME can launch various schemes as provided under the regulations.
- 2) A FME, prior to the filing of a scheme document with the IFSCA, must appoint fiduciaries as follows:
 - a) Board of Directors in case the scheme is set up in the form of a Company
 - b) Designated Partners in case the scheme is set up in the form of a Limited Liability Partnership
 - c) Trustees (including the Board in case of a Trustee company) in case the scheme is set up in the form of a Trust
- 3) A FME must ensure that all the fiduciaries meet the fit and proper requirements.
- 4) A FME intending to launch retail schemes must take prior approval of the IFSCA for appointing any person as a fiduciary.
- 5) The fiduciaries must comply with the Code of Conduct and obligations as detailed in Part B of Third Schedule of the regulations.

ALTERNATIVE INVESTMENT FUND IN IFSC – TYPES OF SCHEMES

Schemes for Fund Management

Part A: Venture Capital Schemes

1. Venture Capital Schemes

Venture Capital Schemes are such schemes that primarily invest in unlisted securities of start-ups, emerging or early-stage venture capital undertakings mainly involved in new products, new services, technology or intellectual property right based activities or a new business model or other schemes which invest in such entities and shall also include an Angel Fund.

A Venture Capital Scheme filed with the IFSCA as a "venture capital fund" under Category I Alternative Investment Fund.

A Scheme filed is construed as "venture capital fund" under Category I Alternative Investment Fund as referred under the Income Tax Act, 1961, the Foreign Exchange Management Act, 1999, or any rules, regulations, circulars, notifications, guidelines issued under these Acts or any other relevant statute.

2. Filing of Placement Memorandum

- (1) A FME must launch Venture Capital schemes through private placement by filing a placement memorandum with the IFSCA along with the applicable fee.
- (2) The filing of scheme documents for such Venture Capital schemes must be under green channel whereby the schemes filed must be open for subscription by investors immediately upon communication from the IFSCA that the placement memorandum has been taken on record. The IFSCA may, at any stage, offer its comments, which shall suitably be incorporated by the FME in the placement memorandum. For the purpose of the Income Tax Act, 1961, the communication received by the FME from the IFSCA that the placement memorandum has been taken on record, must be construed as a Certificate of Registration.
- (3) The placement memorandum for launch of the Venture Capital scheme will be valid for twelve months from the date of communication from the IFSCA to the FME that the placement memorandum has been taken on record, during which period the FME must declare the first close of the scheme by achieving at least the minimum size of corpus. If a FME fails to achieve the minimum size of corpus, within the specified time period, it will have the one-time option to extend the validity of the placement memorandum for a further period of six months by paying fifty per cent of the fee as applicable for filing of a fresh scheme.
- (4) The FME must ensure that any material changes from the information provided in the placement memorandum are immediately informed to the IFSCA.

3. Eligible Investors

- (1) A Venture Capital scheme must not have more than fifty investors.
- (2) Investors investing at least USD 250,000 and Accredited Investors is permitted to invest in such schemes. Where the investors are employees or directors or designated partners of the FME, the minimum value of investment shall be USD 60,000. Further that a FME may accept investments in a Venture Capital scheme from multiple investors acting together as joint investors, wherein each such investor must invest at least the minimum applicable investment amount. Also, the total investments by the following individuals when acting as joint investors must be at least USD 250,000:
 - i) An investor and his/her spouse
 - ii) An investor and his/her parent
 - iii) An investor and his/her daughter/son

The minimum investment threshold specified above will not apply to an Accredited Investor. A Registered FME intending to launch Venture Capital Schemes to target more than fifty investors or pool money from investors investing with a lower application size of USD 150,000 will be able to do so under restricted schemes.

4. Nature and structure of Scheme

- (1) A Venture Capital scheme must only be a close-ended scheme.
- (2) The amount to be raised under a Venture Capital scheme and the tenure of the scheme, which must not be less than three years, must be disclosed in the placement memorandum.
- (3) The tenure of a close-ended scheme can be extended up to two years, subject to approval of two-thirds (2/3rd) of the investors by the value of their investment in the Venture Capital scheme.

- (4) Further extension to the tenure of a Venture Capital scheme beyond the two-year period shall be subject to the express consent of the willing investors and an exit opportunity being made available to the dissenting investors.
- (5) A Venture Capital scheme must be constituted in IFSC as a Company or LLP, or Trust under the applicable laws of India.

5. Permissible investments

- (1) A Venture Capital scheme may invest only in the following instruments or entities in IFSC, India or foreign jurisdiction:
 - a) Unlisted securities
 - b) Securities listed or to be listed or traded on stock exchanges
 - c) Money market instruments
 - d) Debt securities
 - e) Securitised debt instruments, which are either asset-backed or mortgage-backed securities
 - f) Units of other Venture Capital schemes subject to appropriate disclosure in the placement memorandum
 - g) Units of retail schemes and restricted schemes or alternative investment funds subject to appropriate disclosure in the placement memorandum
 - h) Limited liability partnerships
 - i) Such other securities or financial products/ assets or instruments as specified by the IFSCA. For pending deployment of monies, FME may invest in certificates of deposit, units of investment schemes such as overnight, liquid or money market schemes, money market instruments, bank deposits or any other securities or financial assets or instruments as may be specified by the IFSCA.
- (2) Any investment made must be in accordance with the provisions of the regulations, the investment objective of the Venture Capital scheme and disclosures made in the placement memorandum.

6. Restrictions on Investment and Corpus of the Scheme

- (1) In case of Venture Capital schemes, the minimum size of the corpus must be USD 3 Million, and the total corpus must not exceed USD 200 Million.
- (2) Venture Capital scheme can invest in its associate, subject to the prior approval of seventy-five per cent investors in the scheme by value.
- (3) Venture Capital schemes must invest at least 80 per cent of the corpus in Investee Companies where not more than ten years have elapsed since the incorporation of such companies, or other schemes which meet such requirement.
- (4) Venture Capital schemes must not buy or sell securities from associates, other schemes of the FME or its associates, or an investor who has committed to invest at least fifty per cent of the corpus of the scheme, unless prior approval has been obtained from seventy-five per cent investors in the scheme by value. The voting process must exclude such investor(s) who has committed to invest at least fifty per cent of the corpus of the scheme and is buying or selling the securities, from or to the scheme.

Further, such approval from investors will not be required for a fund of funds scheme which has disclosed

in its placement memorandum the details of the underlying scheme(s) wherein the investments are intended to be made and the nature of association, if any, that the FME has with the manager(s) of such underlying scheme(s).

7. Disclosures to investors

- (1) The placement memorandum for Venture Capital schemes must clearly include disclosures regarding the investment objective, the targeted investors, proposed corpus, investment style or strategy, investment methodology, proposed tenure of the scheme, fees and expenses, risk management practices, KMPs of the FME and other relevant details of the FME and the scheme.
- (2) The FME must ensure that the Net Asset Value (NAV) is disclosed to the investors at least on a yearly basis within such time period as disclosed in the placement memorandum of the scheme.
- (3) The FME must ensure that the portfolio under the scheme is disclosed to the investors at least on a yearly basis and not later than one month of the end of each financial year.
- (4) Any other material disclosure, as considered suitable by the FME or the fiduciaries, must be informed to the investors immediately.
- (5) The FME and fiduciaries must comply with the disclosure requirements as may be specified by the IFSCA.

Part B: Restricted Schemes (Non-Retail Schemes)

1. Restricted Schemes (Non-Retail Schemes)

- (1) Restricted Schemes are schemes that may be launched by Registered FMEs for various investment strategies, such as:
 - a) investing in start-up, early-stage ventures, social ventures, SMEs, infrastructure or other sectors or areas which the government or regulators consider as socially or economically desirable, including venture capital funds, SME Funds, social venture/ impact funds, infrastructure funds, ESG Funds, Special Situation funds and such other Schemes/Funds as may be specified by the IFSCA and must be filed before the IFSCA as Category I Alternative Investment Fund.

A Scheme filed can be construed as Category I Alternative Investment Fund as referred under the Income Tax Act, 1961, the Foreign Exchange Management Act, 1999, or any rules, regulations, circulars, notifications, guidelines, etc. issued under these Acts or any other relevant statute. Venture capital funds may not be required to comply with conditions specified for Venture Capital schemes.

- b) investment for undertaking diverse or complex trading strategies, including investment in listed or unlisted derivatives and must be filed before the Authority as Category III Alternative Investment Fund.

A Scheme filed can be construed as a Category III Alternative Investment Fund as referred under the Income Tax Act, 1961, the Foreign Exchange Management Act, 1999, or any rules, regulations, circulars, notifications, guidelines, etc. issued under these Acts or any other relevant statute.

- c) investment which does not fall under (a) and (b), must be filed before the IFSCA as a Category II Alternative Investment Fund.

The Scheme can be construed as a Category II Alternative Investment Fund as referred under

the Income Tax Act, 1961, the Foreign Exchange Management Act, 1999, or any rules, regulations, circulars, notifications, guidelines, etc. issued under these Acts or any other relevant statute.

- (2) The schemes covered under (a) and (c) must file before the IFSCA as a close-ended scheme, and those covered under (b) must file before the IFSCA either as a close-ended scheme or an open-ended scheme.

2. Eligible FMEs and Filing of Placement Memorandum

- (1) A Registered FME can launch restricted schemes through private placement by filing the placement memorandum with the IFSCA along with the applicable fees.
- (2) The filing of scheme documents for restricted schemes must be under the green channel, whereby the schemes filed must be open for subscription by investors immediately upon communication from the IFSCA that the placement memorandum has been taken on record. The Authority may, at any stage, offer its comments, which must suitably be incorporated by the FME in the placement memorandum. For the purpose of the Income Tax Act, 1961, the communication received by the FME from the IFSCA that the placement memorandum has been taken on record can be construed as a Certificate of Registration.
- (3) The placement memorandum for the launch of the restricted scheme will be valid for twelve months from the date of communication from the IFSCA to the Registered FME that the placement memorandum has been taken on record, during which period the FME has declared the first close of the scheme by achieving at least the minimum size of corpus. If a FME fails to achieve the minimum size of corpus, within the specified time period, it will have the one-time option to extend the validity of the placement memorandum for a further period of six months by paying 50 per cent of the fee as applicable for filing of a fresh scheme.
- (4) The FME must ensure that any material changes from the information provided in the placement memorandum must be immediately informed to the IFSCA.

3. Eligible Investors

- (1) Restricted schemes must not have more than one thousand investors or such number as may be specified by the IFSCA.
- (2) Investors investing at least USD 150,000 and Accredited Investors can invest in such schemes. In case of investors who are employees or directors, or designated partners of the FME, the minimum value of investment shall be USD 40,000. Further, a FME can accept investments in a Restricted scheme from multiple investors acting together as joint investors, wherein each such investor must invest at least the minimum applicable investment amount.

Also, the following individuals, not more than two, when act as joint investors, the total investment by such individuals must be at least USD 150,000:

- (i) An investor and his/her spouse
- (ii) An investor and his/her parent
- (iii) An investor and his/her daughter/son

The minimum investment threshold will not apply to an accredited investor.

4. Nature and Structure of Scheme

- (1) Restricted schemes may be launched as open-ended or close-ended schemes.
- (2) In case of a close-ended restricted scheme, the amount to be raised and the tenure of the scheme, which will not be less than one year, must be disclosed in the placement memorandum.

- (3) The tenure of the close-ended restricted schemes can be extended up to two years, subject to the approval of two-thirds of the investors by the value of their investment in the restricted scheme.
- (4) Further extension to the tenure of a close-ended restricted scheme beyond the two year period shall be subject to express consent of the willing investors and exit opportunity being made available to the dissenting investors.
- (5) Restricted schemes shall be constituted in IFSC as Company or LLP or Trust under the applicable laws of India.

5. Permissible investments

- (1) Subject to other provisions of these regulations, a restricted scheme may invest only in the following instruments or entities in IFSC, India or foreign jurisdiction:
 - a) Unlisted securities
 - b) Securities listed or to be listed or traded on stock exchanges
 - c) Money market instruments
 - d) Debt securities
 - e) Securitised debt instruments, which are either asset backed or mortgage-backed securities
 - f) Units of other investment schemes subject to appropriate disclosure in the placement memorandum
 - g) Derivatives including commodity derivatives subject to suitable disclosures in the placement memorandum
 - h) Limited liability partnerships
 - i) Such other securities or financial products/assets or instruments as specified by the IFSCA.

In case of pending deployment of monies, FME can invest in certificates of deposit, units of investment schemes such as overnight, liquid or money market schemes, money market instruments, bank deposits or any other securities or financial assets or instruments as may be specified by the IFSCA.

- (2) Any investment made must be in accordance with the provisions of the regulations, the investment objective of the restricted scheme and disclosures made in the placement memorandum.
- (3) In addition to the above, a close-ended scheme can invest up to twenty per cent of the corpus in physical assets such as real estate, bullion, art or any other physical asset as may be specified by the IFSCA.

6. Restrictions on Investment and Corpus of the Scheme

- (1) In case of an open-ended scheme, the maximum investment in unlisted securities must not exceed twenty-five per cent of the corpus of the scheme. In case of an open-ended fund of funds scheme, this requirement will not be applicable if such a scheme is investing in other open-ended scheme(s) which will not have investment in unlisted securities in excess of twenty-five per cent of their corpus.
- (2) The minimum size of the corpus of the restricted schemes must be USD 3 Million. An open-ended scheme can commence investment activities upon raising at least USD 1 Million in funds and shall achieve the minimum corpus of USD 3 Million within twelve months from the date of communication from the IFSCA that the placement memorandum of the scheme has been taken on record.

- (3) Restricted schemes can invest in its associate, subject to the prior approval of seventy-five per cent investors in the scheme by value.
- (4) Restricted schemes must not buy or sell securities from associates, other schemes of the FME or its associates, or an investor who has committed to invest at least fifty per cent of the corpus of the scheme, unless prior approval has been obtained from seventy-five per cent investors in the scheme by value. The voting process must exclude such investor(s) who have committed to invest at least fifty per cent of the corpus of the scheme and is buying or selling the securities, from or to, the scheme. Further, such approval from investors may not be required for a fund of funds scheme which has disclosed in its placement memorandum the details of the underlying scheme(s) wherein the investments are intended to be made and the nature of association, if any, that the FME has with the manager(s) of such underlying scheme(s).
- (5) A Restricted scheme filed with the Authority as a Category I AIF, Category II AIF or Category III AIF must invest in accordance with such additional conditions as may be specified by the IFSCA.

7. Disclosures to investors

- (1) The placement memorandum for restricted schemes must clearly include disclosures regarding the investment objective, the targeted investors, proposed corpus, investment style or strategy, investment methodology, proposed tenure of the scheme, proposed fees and expenses, risk management practices, KMPs of the FME and other relevant details of the FME and the scheme.
- (2) Any material deviation or alteration to the fund strategy should be made with the consent of at least two-thirds of investors by value.
- (3) The FME must ensure that the NAV is disclosed to the investors at least on a monthly basis in case of an open-ended scheme and half-yearly in case of a close-ended scheme within such time period as disclosed in the placement memorandum.
- (4) The FME must ensure that the portfolio under the scheme is disclosed to the investors at least on a quarterly basis within one month from the end of the quarter.
- (5) Any other material disclosure as considered suitable by the FME or the fiduciaries must be informed to the investors immediately.
- (6) The FME and the fiduciaries must comply with the disclosure requirements as may be specified by the IFSCA.

Part C: Retail Schemes

1. Retail Schemes

Retail Schemes are schemes that can be launched by Registered FMEs (Retail) for pooling money from all investors or a section of investors through an offer document for investment as per its stated investment objective in various permissible investments.

2. Eligible FMEs and Filing of Offer Document

- (1) No scheme must be launched unless a draft offer document is filed with the IFSCA along with the applicable fees at least twenty-one working days before the launch of the scheme.
- (2) The validity of the offer document for the launch of the scheme shall be twelve months from the date of communication from the IFSCA to the FME that the offer document has been taken on record. For the purpose of the Income Tax Act, 1961, the communication received by the FME from the IFSCA that the offer document has been taken on record can be construed as a Certificate of Registration.

- (3) The FME must ensure that the comments of the IFSCA are incorporated in the offer document prior to launch of the scheme.
- (4) The FME must ensure that any material changes from the information disclosed in the draft offer document are informed to the IFSCA immediately.
- (5) No retail scheme can be filed with the IFSCA unless it has been approved by the fiduciaries.

3. Minimum number of Investors

Retail schemes shall have at least twenty investors, with no single investor investing more than twenty-five per cent in a scheme and shall ensure compliance with this requirement within a maximum period of six months from the closure of the offer.

4. Nature and Structure of Scheme

- (1) Retail schemes can be open-ended or close-ended.
- (2) The tenure of a close-ended scheme, which cannot be less than three years, must be disclosed in the offer document.
- (3) The tenure of the close-ended scheme can be extended up to two years, subject to the approval of two-thirds of the investors by value of their investment in the scheme and the approval of the IFSCA.
- (4) Retail schemes must be constituted in IFSC as a Company or Trust under the applicable laws of India.
- (5) Retail schemes can be launched for various investment strategies including for investment in Social Ventures, Infrastructure, towards ESG objectives, specific sectors (sectoral schemes), certain themes such as infrastructure (thematic schemes), certain asset class (equity schemes, debt schemes, etc.) or a combination thereof or towards certain solution (retirement schemes, schemes for children education, etc.) subject to such terms and conditions as may be specified by the IFSCA.

5. Permissible investments

- (1) A retail scheme can invest only in the following instruments or entities in IFSC, India or foreign jurisdictions:
 - a) Securities listed or to be listed or traded on stock exchanges
 - b) Unlisted securities
 - c) Money market instruments
 - d) Debt securities
 - e) Securitised debt instruments, which are either asset-backed or mortgage-backed securities
 - f) Units of other investment schemes subject to appropriate disclosure in the offer documents
 - g) Derivatives, including commodity derivatives, only for the purpose of hedging, subject to suitable disclosures in the offer document
 - h) Such other securities or financial products/ assets or instruments as specified by the IFSCA

In case of pending deployment of monies, FME can invest in certificates of deposit, units of investment schemes such as overnight, liquid or money market schemes, money market

instruments, bank deposits or any other securities or financial assets or instruments as may be specified by the IFSCA.

- (2) Any investment made in accordance with the provisions of the regulations, the investment objective of the retail scheme and disclosures in the offer document.

6. Restrictions on Investment and AUM of the Scheme

- (1) In case of an open-ended scheme, the maximum investment in unlisted securities must not exceed fifteen per cent of the total AUM of the scheme. This restriction will not be applicable in case of investment in unlisted securities issued by an investment fund which is open-ended in nature, regulated by the concerned regulatory authority in its home jurisdiction, and is permitted for offering to retail investors in its home jurisdiction.
- (2) The minimum amount of investment by an investor in the case of close-ended schemes investing more than fifteen per cent in unlisted securities, must be USD 10,000. A close-ended scheme must not invest more than fifty per cent in unlisted securities. Further, the minimum amount of investment of USD 10,000 and the cap of fifty per cent cannot be applicable in case of investment by a close-ended retail scheme in unlisted securities issued by an investment fund which is regulated by the concerned regulatory authority in its home jurisdiction, and is permitted for offering to retail investors in its home jurisdiction.
- (3) A Retail scheme must not invest more than ten per cent of its AUM in securities of a single company. A retail scheme can invest up to fifteen per cent in a single company with the prior approval of the fiduciaries. Further the limit on investment in single company in case of sectoral or thematic or Index schemes will be the weightage of that company in the representative index, provided by an independent entity, that such scheme intends to benchmark with, or 15%, whichever is higher.

Also, the fund of funds schemes can be permitted to invest in other scheme(s) if such scheme(s) meets the requirement under this regulation.

- (4) Retail schemes must not invest more than twenty-five per cent of its AUM in a single sector. In the case of the financial services sector, the amount shall not exceed fifty per cent of the AUM of the scheme. Further, the limit on sectoral caps cannot apply in case of a sectoral or thematic or an Index Scheme.

Also, in case of a fund of funds scheme, the limit on sectoral cap will not be applicable if such scheme is investing in other scheme(s) which does not have investment in a single sector in excess of 25% of their AUM, or 50% of their AUM in case of financial services sector or when such scheme(s) are sectoral or thematic or index scheme(s).

- (5) A Retail scheme must not invest more than twenty-five per cent of the AUM in its associate. This restriction will not be applicable in case of fund of funds schemes which have made disclosure in the offer document regarding the details of the underlying scheme(s) wherein the investments are intended to be made and the nature of association, if any, that the FME has with the manager(s) of the underlying scheme(s).
- (6) The minimum size of the retail schemes must be USD 3 Million. An open-ended scheme can commence its investment activities upon receiving at least USD 1 Million from investors, and it must receive at least USD 3 Million from investors within 12 months from the date of communication from the IFSCA that the offer document has been taken on record.

Further, if a FME fails to achieve the minimum investment within the specified time, it can have a

one-time option to extend the validity of the offer document for a further period of six months by paying 50 per cent of the fee as applicable for filing of a fresh scheme.

7. Disclosures to Investors

- (1) The offer document for retail schemes must clearly include all disclosures which are material for investors to make a decision regarding investing in such schemes.
- (2) The disclosures in the offer document must include disclosures regarding the investment objective, the targeted investors, proposed size, investment style or strategy, investment methodology, proposed tenure of the scheme fees and expenses, risk management practices, KMPs of the FME and other relevant details of the FME and the scheme.
- (3) Any material deviation or alteration to the fund strategy must be made with the consent of at least two-thirds of investors by value.
- (4) The FME must ensure that the NAV is disclosed to the investors on a daily basis in case of an open-ended scheme and on weekly basis in case of a close-ended scheme.
- (5) The FME must ensure that the portfolio under the scheme is disclosed to the investors at least on a quarterly basis within one month from the end of the quarter.
- (6) Any other material disclosure as considered suitable by the FME or the fiduciaries must be informed to the investors immediately.
- (7) The FME and the fiduciaries must comply with the disclosure requirements as specified above or as may be specified by the IFSCA.

Part D: Special Situation Funds

A Registered FME may launch a special situation fund in accordance with the provisions.

1. Eligible FMEs and Filing of Placement Memorandum

- 1) A Registered FME can launch a special situation fund through a private placement memorandum by filing the memorandum with the IFSCA along with the applicable fees in the manner as specified by the IFSCA.
- 2) The filing of scheme documents for restricted schemes must be under a green channel whereby the schemes filed shall be open for subscription by investors immediately upon communication from the IFSCA to the FME that the placement memorandum has been taken on record. The IFSCA, at any stage, offers its comments which must suitably be incorporated by the FME in the placement memorandum.

For the purpose of the Income Tax Act, 1961, the communication received by the FME from the IFSCA that the placement memorandum has been taken on record, shall be construed as Certificate of Registration.

- 3) The validity of the placement memorandum for launch of the scheme shall be twelve months from the date of communication from the IFSCA, that the placement memorandum has been taken on record, during which period the FME shall declare the first close of the scheme by achieving at least the minimum size of corpus. If a FME fails to achieve the minimum size of corpus within the specified time, it must have the one-time option to extend the validity of the placement memorandum for a further period of six months by paying 50 per cent of the fee as applicable for filing of a fresh scheme.
- 4) The FME must ensure that any material changes in the placement memorandum are informed to the IFSCA immediately.

2. Nature and Structure of Scheme

- 1) A special situation fund must only be a close-ended fund.
- 2) The tenure of a special situation fund, which must not be less than three years, must be disclosed in the placement memorandum.
- 3) The tenure of a special situation fund may be extended up to two years, subject to approval of two-thirds of the investors by value of their investment in the scheme.
- 4) Further extension to the tenure of a special situation fund beyond the two-year period must be subject to express consent of the willing investors and exit opportunity being made available to the dissenting investors.
- 5) A special situation fund must be constituted in IFSC as a company, or LLP or Trust or any other form as may be permitted by the IFSCA under the applicable laws of India.

3. Permissible Investments

A special situation fund must invest only in special situation assets.

4. Scheme corpus, eligible investors, investment conditions

- 1) A special situation fund must have the minimum corpus as may be specified by the IFSCA.
- 2) A special situation fund must accept such eligible investors as may be specified by the IFSCA.
- 3) A special situation fund must comply with such additional investment conditions as may be specified by the IFSCA.

VALUATION FOR FUND MANAGERS

- 1) The FME and fiduciaries must ensure compliance of investment valuation norms, as specified in the Sixth Schedule of the regulations.
- 2) In line with the investment valuation norms, the assets of the scheme must be valued by an independent service provider, such as a fund administrator, a custodian, a credit rating agency registered with the IFSCA, or a valuer registered with Insolvency and Bankruptcy Board of India, or such other person as may be specified by the IFSCA. This requirement must not apply in case of a fund of funds scheme that invests in scheme(s) regulated by a financial sector regulator, directly or through a manager, in IFSC, India or foreign jurisdiction(s), which are valued by any independent entity.

INVESTMENT TRUST IN IFSCs

The following are the provisions relating to the Investment Trust:

1. Any person from IFSC or India or a foreign jurisdiction, desirous to operate an Investment Trust in the IFSCs must obtain registration with the IFSCA.
2. An Investment Trust is permitted to raise funds through:
 - a) Public issue with units listed on a recognised stock exchange
 - b) Private placement with units listed on a recognised stock exchange
 - c) Private placement whose units are not proposed to be listed on any recognised stock exchange.

3. The recognised stock exchange(s) must specify the detailed framework which must *inter-alia*, include initial disclosure requirements in the offer document, continuous obligations and disclosure requirements, trading, clearing and settlement for Investment Trust whose units are listed or proposed to be listed on a recognised stock exchange(s).
4. The Investment Trust must comply with the requirements specified by the recognised stock exchange(s).

1. Registration

- 1) An application for the grant of certificate of registration as Investment Trust must be made, by the sponsor on behalf of the trust to the IFSCA in the format specified by the recognised stock exchange(s) or the IFSCA and must be accompanied by a non-refundable fee as may be specified by the IFSCA.
- 2) The IFSCA, in order to protect the interests of investors, appoint any person to take charge of records, documents of the Investment Trust and for this purpose, also determine the terms and conditions of such an appointment.
- 3) The IFSCA must require the applicant to furnish any such information or clarification as may be required by it for the purpose of processing the application.
- 4) The IFSCA, if it so desires, must require the applicant or any authorized representative to appear before the IFSCA for personal representation in connection with the grant of certificate of registration.
- 5) The IFSCA, on receipt of all information and on being satisfied, may grant Certificate of Registration as an Investment Trust, subject to the applicant paying the applicable fee.

2. Trust

The following are the eligibility conditions for the Investment Trust:

- a) The trust must be created under the laws of India (IFSC or outside IFSC) or foreign jurisdiction
- b) The trust deed has its main objective as undertaking activity of Investment Trust (REIT or InvIT) and includes responsibilities of the Trustee in accordance with the requirements specified in the regulations
- c) persons have been designated as sponsor(s), investment manager and trustee and all such persons are separate entities.

3. Sponsor

The following are the eligibility conditions for a sponsor of an Investment Trust:

- a) Each sponsor must hold or propose to hold not less than five per cent of the number of units of the Investment Trust on post-initial offer basis. In case the holding goes below five per cent, the sponsor must comply with the requirement within a time period of one year from the date of such decline.
- b) Each sponsor must maintain net worth not less than USD 15 million if it is a body corporate or a company, or net tangible assets of value not less than USD 15 million in case it is a limited liability partnership. In case of REIT, each sponsor must maintain a net worth of not less than USD 3 million and the sponsor(s), on a collective basis, must maintain a net worth of not less than USD 15 million.
- c) The sponsor(s) or its associate(s) must have a sound track record in development of real estate or infrastructure or fund management in the infrastructure / real estate sector.

Here, 'sound track record' means relevant experience of at least five (5) years, and where the sponsor is a developer, at least two projects of the sponsor have been completed.

4. Investment Manager

- 1) In case of private placement, any Registered FME will be eligible to be appointed as Investment Manager.
- 2) In case of public issues, only a Registered FME (Retail) will be eligible to be appointed as an Investment Manager.

5. Trustee

The following are the eligibility conditions for a trustee of an Investment Trust:

- a) The entity must be authorised/ registered as a trustee with the IFSCA or any other securities market regulator and must not be an associate of the sponsor(s) or investment manager
- b) The trustee has necessary wherewithal with respect to infrastructure, personnel, etc. to the satisfaction of the IFSCA and the recognised stock exchange(s).

6. Offer of units of Investment Trust

- 1) No initial offer of units by an Investment Trust shall be made unless–
 - a) the Investment Trust is registered with the IFSCA
 - b) the value of assets of Investment Trust is not less than USD 75 million
 - c) the offer size is not less than USD 35 million
- 2) The minimum offer and allotment of units, to public through an offer document or placement memorandum in respect of Investment Trust, proposed to be listed on a recognised stock exchange must be as per the below table:

Post Issue Capital	Minimum no./ value of units to be offered
Less than USD 240 million	At least twenty-five per cent of the total outstanding units of the Investment Trust
USD 240 million or more but less than USD 600 million	At least USD 60 million
Equal to or more than USD 600 million	At least ten per cent of the total outstanding units of the Investment Trust

The units offered to sponsor or the investment manager or the project manager or their related parties or their associates shall not be counted towards units offered to the public.

7. Private Placement with listing

- 1) The fund raising by an Investment Trust by way of private placement whose units are proposed to be listed on the recognised stock exchange(s) must subject to compliance with the following:
 - a) The Investment Trust must obtain in-principle approval from the recognised stock exchange(s). The in-principle approval must be valid for a period not greater than six months from the date of its receipt from the recognised stock exchange.
 - b) The Investment Trust, through the Investment Manager or Investment Banker, must file a placement memorandum with the IFSCA along with the applicable fee at least five working days prior to opening of the issue.

Such opening of the issue must not be at a date later than six months from the receipt of in-principle approval for listing, from recognised stock exchange(s).

- c) The Investment Trust must raise funds from accredited investor or from investors investing at least USD 150,000.

If a privately placed Investment Trust invests or proposes to invest less than eighty per cent of the value of the assets of Investment Trust in completed and revenue generating assets, the minimum investment from each investor shall be USD 1 million.

- d) The Investment Trust must raise funds from at least two and not more than one thousand investors.
- e) The Investment Trust, through the Investment Manager, must file the final placement memorandum with the IFSCA within a period of ten working days from the date of listing of the units.

8. Private Placement without listing

The fund raising by an Investment Trust by way of private placement, whose units are not proposed to be listed on the recognised stock exchange(s), must be subject to compliance with the following:

- 1) The Investment Trust must file a draft placement memorandum with the IFSCA in the manner as specified by the IFSCA, along with the applicable fee, at least five working days prior to opening of the issue.

Such opening of the issue must not be at a date later than three months from the date of communication from the IFSCA that the placement memorandum has been taken on record.

- 2) The Investment Trust must raise funds from investors investing at least USD 250,000 or accredited investors.
- 3) The Investment Trust must raise funds from not more than fifty investors.
- 4) The Investment Trust must file the final placement memorandum with the IFSCA within a period of ten working days from the date of allotment of the units to the investors.

9. Surrender of certificate by an Investment Trust whose units are not listed

- 1) An Investment Trust whose units are not listed on a recognised stock exchange can choose to surrender its certificate of registration to the IFSCA and on acceptance of surrender of certificate of registration, it shall no longer undertake the activity of an Investment Trust.
- 2) The Investment Trust and parties to the Investment Trust can continue to be liable for all their acts of omissions and commissions with respect to activities of the Investment Trust notwithstanding surrender of registration to the IFSCA.

GENERAL OBLIGATIONS AND RESPONSIBILITIES

1. Code of Conduct

Every FME, fiduciaries, KMPs (including Principal officer, Fund Managers and Designated Compliance Officer) must abide by the Code of Conduct specified in Third Schedule.

2. Maintenance of books of accounts, records and other documents

- 1) Every FME must keep and maintain proper books of account, records and documents for each scheme so as to explain its transactions and to disclose at any point of time the financial position

of each scheme and in particular, give a true and fair view of the state of affairs of the scheme, and intimate to the IFSCA the place where such books of account, records and documents are maintained.

- 2) Every FME must maintain and preserve at least the following books of accounts, records and documents, in electronic retrieval form for a minimum of eight years, namely:
 - a) a copy of the balance sheet at the end of each accounting period
 - b) a copy of profit and loss account for each accounting period
 - c) a copy of the auditor's report on the accounts for each accounting period
 - d) a statement of net worth for each quarter
 - e) documents relating to compliance with AML and CFT guidelines
 - f) documents relating to account opening of each client and any power of attorney or signature authority forms of the clients
 - g) relevant records and documents relating to its activities under these regulations
 - h) such other books of accounts, records and documents as may be specified by the IFSCA from time to time.
- 3) The FME must be required to maintain following records, in electronic retrieval form for a minimum of five years after the winding up of the scheme, namely:
 - a) the assets under each scheme
 - b) valuation policies and practices
 - c) investment strategies
 - d) particulars of investors and their contribution
 - e) rationale for investments made

3. Information to the Authority

- 1) The FME, fiduciaries or any person involved in the activities as detailed in the regulations must accurately and timely furnish such reports, returns, statements and particulars, in such manner, interval and form, as may be specified by the IFSCA from time to time.
- 2) The Authority can call for any information, documents or records from FME and entities engaged by FME for any related functions on activities detailed under the regulations.
- 3) Where any information is called for under (2) the FME must furnish accurately within the time specified by the IFSCA.

4. Business Continuity Plan

- 1) A registered FME must maintain a business continuity plan identifying procedures relating to an emergency or significant business disruption.
- 2) A registered FME must update its business continuity plan in the event of any material change in its operations, structure, business, or location.
- 3) A registered FME must conduct an annual review of its business continuity plan.

5. Cyber Security and Cyber Resilience

A registered FME must have robust cyber security and cyber resilience framework in accordance with the requirements as may be specified by the IFSCA from time to time.

6. Risk Management and Internal Controls

- 1) A FME must have a sound risk management system for comprehensively managing all risks.
- 2) A FME must have adequate internal procedures and controls, given the types of business in which it engages, including any activities which have been outsourced, with the aim of protecting the interests of clients/investors and their assets and ensuring proper management of risk.

7. Guaranteed returns

No guaranteed return shall be offered in a scheme or under an agreement for PMS,

- a) unless such returns are fully guaranteed by the FME
- b) unless a statement indicating the guarantee including details thereof is made in the offer document/ agreement
- c) the manner in which the guarantee is to be met has been stated in the offer document/ agreement

8. Change in control

- 1) A FME shall seek prior approval of the IFSCA in case of any direct or indirect change in control of the FME.

Where a FME operating in the form of branch is required to take prior approval from its sectoral regulator in its principal place of operation, it must only inform such change to the IFSCA, within fifteen days thereof.

- 2) The IFSCA can consider such request for change in control subject to such conditions.

9. Payment of Fees

A FME must pay the fees pertaining to annual fees, scheme filing fee or any other fees as may be specified by the IFSCA from time to time.

10. Advertisements

Advertisements issued by FME, must be in conformity with the Advertisement Code as specified in the Fifth Schedule of the regulations.

11. Fees and Expenses of the Schemes.

- 1) All fees and expenses must be clearly identified and appropriated separately for each scheme.
- 2) The FME must ensure suitable disclosure in the offer document / placement memorandum regarding the maximum fees and expenses that it may charge and each expense item must be disclosed separately as a specific line item in the offer document / placement memorandum.

12. Appointment of Investment Committee

- 1) The FME may, at its discretion, constitute an Investment Committee to make investment decisions for the schemes.
- 2) All responsibilities casted upon the FME and Fund Managers under these regulations, to the extent applicable, shall also be complied with by the members of such Investment Committee.

13. Merger, demerger or restructuring of schemes

Merger, demerger and restructuring of the scheme(s) must be in accordance with the conditions as may be specified by the IFSCA and with the prior approval by the IFSCA.

14. Winding up of the Scheme

- 1) A scheme of the FME must be wound up:
 - a) When the tenure of the scheme, as mentioned in the placement memorandum / offer document, is over
 - b) If seventy-five per cent of the investors, by value of their investment in the scheme, pass a resolution at a meeting of investors that the scheme be wound up.
- 2) The Authority, in the interest of investors and for orderly development of the financial market, may direct a FME to:
 - a) wind up a scheme, subject to such conditions as deemed appropriate
 - b) merge certain schemes
 - c) manage schemes of other FMEs

15. Appointment of Custodian

The FME must appoint an independent custodian to provide the custodial services for the following schemes:

- a) Retail schemes
- b) Open ended restricted schemes
- c) All other schemes managing AUM above USD 70 Million

The requirement of appointment of custodian must not be mandatory for fund of funds schemes where the underlying scheme(s) have appointed independent custodian(s).

The Custodian appointed must be based in IFSC, unless the local laws of the jurisdiction where the securities have been issued mandate appointment of a custodian in that jurisdiction, in which case, the FME can appoint a custodian based in that jurisdiction regulated by the financial sector regulator in that jurisdiction for such securities and make necessary arrangement to provide such information to IFSCA whenever directed to do so.

In case of schemes which are required to appoint custodian in IFSC in terms of the abovementioned provision, if any agreement has been entered into with a custodian which is not based in IFSC as on the date of notification of these regulations, such schemes must be required to appoint custodian in IFSC within twelve months from the date of notification of the regulations.

16. Redemption of Close ended scheme

A close-ended scheme, unless its tenure is extended as specified under the regulations, must be fully redeemed at the end of maturity period.

17. Scheme Annual Report

- 1) FME must prepare an annual report of accounts of the schemes and abridged summary thereof, in respect of each financial year and must submit the same to the Authority not later than four months from the end of financial year.
- 2) The annual report and abridged summary must contain details that are necessary for the purpose of providing a true and fair view of the operations of the scheme.

- 3) An abridged summary of the annual report of the scheme must be shared with the investors within four months from the end of the financial year.

If an investor seeks the full annual report, the FME must provide the same within fifteen days from the date of the receipt of such request.

18. Auditor's report

- 1) Every scheme launched by FME must have the annual statement of accounts audited by an auditor who is not in any way associated with the FME.
- 2) The auditor must be appointed by the fiduciaries.
- 3) The auditor must forward his report to the fiduciaries and such report must form part of the Annual Report of the schemes.

19. Other disclosures to the investors

- 1) The FME must ensure that investors are provided information about their holding in the schemes of FME at the end of every month and within ten working days in case of receipt of such request from an investor.
- 2) The fiduciaries must make such disclosures to the investors as are essential in order to keep them informed about any information which may have an adverse bearing on their investments.

20. Restrictions on business activities of the FME

The FME must not undertake any business activities other than as specified under the regulations, without prior approval of the IFSCA.

A FME operating in the form of branch in an IFSC must inform the IFSCA within fifteen days regarding any approval obtained from the sectoral regulator in its principal place of operations, if the activity it intends to conduct outside IFSC requires such specific approval.

Further, the FME intending to open a branch or representative office in other jurisdictions for the purpose of marketing their offerings and client service must give prior intimation to the IFSCA with the details regarding such branch or representative office.

THIRD-PARTY FUND MANAGEMENT SERVICES, SPVs AND CO-INVESTMENTS, ESG FUNDS AT IFSC

Third-Party Fund Management Services

A FME can launch a scheme on behalf of a third-party.

1. Definitions

Here, "third-party fund management services" or "third-party fund management arrangement" refers to the activity wherein a Registered FME manages the schemes on behalf of a third-party.

"third-party fund manager" means and includes an entity registered or regulated, for the purposes of fund management, portfolio management, investment advisory or any other similar activity, by whatever name called, with the concerned financial sector regulator in the country of its incorporation, and which avails the third-party fund management services from a Registered FME.

2. Obligation to seek Authorisation and compliances

- 1) A FME intending to set up and manage schemes on behalf of a third-party must seek authorisation from the IFSCA for undertaking third-party fund management services in accordance with the

terms and conditions and must comply with other conditions as may be specified by the IFSCA from time to time.

Such FME may also set up schemes, offer Portfolio Management Services or carry out other activities as permitted under the regulations, as per the category of its registration, wherein a third-party fund management arrangement is not involved.

- 2) The FME must be responsible for strengthening its overall compliance function and must deploy resources commensurate to the size of its operations in the IFSC, so as to ensure adequate focus on the compliance for each scheme.
- 3) The FME and the fiduciaries must ensure compliance.
- 4) Notwithstanding any arrangement of FME with the third-party including the indemnification arrangement, the FME must continue to be liable for any and all obligations or liabilities arising in connection with the third-party fund management arrangement.

3. Legal Form of the FME

- 1) The FME seeking authorisation must set up in the IFSC in the form of a company, limited liability partnership (LLP) or any other form as may be permitted by the IFSCA.
- 2) In case of a company, its memorandum of association, and in case of a LLP, its limited liability partnership agreement, must contain a provision enabling it to offer third-party fund management services.

4. Appointment of Principal Officers and other Key managerial personnel

- 1) For each scheme managed under the third-party fund management arrangement, the FME must appoint a dedicated person as the Principal Officer who must be responsible for the overall activities with respect to that scheme, including but not limited to fund management, risk management and compliance.
- 2) In case of a Registered FME (Non-Retail), the Compliance Officer for its self-managed schemes or Portfolio Management Services can also act as the Compliance Officer for the schemes managed under the third-party fund management arrangement.
- 3) In case of a Registered FME (Retail), the Compliance Officer for its Retail Schemes must be separate from the Compliance Officer for the Non-Retail Schemes that are either self-managed or managed through third-party fund management arrangement.
- 4) For appointment of additional KMP, the AUM of the schemes managed under the third-party fund management arrangement must also be considered, excluding the AUM of fund of funds schemes managed under third-party fund management arrangement.
- 5) Any appointment or changes in the KMPs appointed under (1) and (3) must be carried out in the manner specified by the IFSCA.

5. Net worth requirement

A FME seeking authorisation to offer third-party fund management services must, at all times, maintain an additional net worth of USD 500,000 or such other amount as may be specified by the IFSCA.

Such net worth must be separate and in addition to:

- i) the minimum net worth requirements applicable for its activities as a FME for the schemes, Portfolio Management Services or any other activities as permitted under these regulations as per the category of its registration, wherein a third-party fund management arrangement is not involved
- ii) the minimum net worth requirements applicable for any other activities within or outside the IFSC.

6. Schemes under third-party fund management arrangement

- 1) A FME must manage Restricted Schemes under third-party fund management arrangement in accordance with the regulations.

Such scheme does not exceed the corpus of USD 50 million, or such other value as may be specified by the IFSCA.

- 2) The third party, under the third-party fund management arrangement, must be deemed to be an associate of the FME for the purpose of compliance.

7. Eligibility of 'third-party'

- 1) A FME must provide third-party fund management services only to such third-party who is a third-party fund manager and meets the following criteria, namely:
 - a) It is incorporated either in India, IFSC or a foreign jurisdiction
 - b) It allocates adequate resources to discharge its functions
 - c) The persons responsible for its functions have adequate and requisite experience
 - d) The third-party, its officers, directors/ partners/ designated partners, key managerial personnel and controlling shareholders are 'fit and proper' persons

A third-party fund manager can be eligible to avail third-party fund management services even if its ultimate or interim parent entity is not engaged in the fund management activities.

8. Disclosures to investors

- 1) For the Restricted Schemes that are managed under the third-party fund management services, besides making disclosures, the FME must make the following disclosures under a separate head/ section at a prominent place in the placement memorandum:
 - a) Details of the third-party and the persons who effectively conduct the business of such third-party
 - b) Details of the segregated responsibilities of the FME and such third-party
 - c) Potential conflicts of interest that may arise due to the third-party fund management arrangement along with the measures proposed to avoid, resolve and mitigate such conflicts
 - d) such other disclosures as may be specified by the IFSCA.

9. Risk Management

- 1) The FMEs must have the following risk management measures in place:
 - a) An internal policy comprising of a comprehensive risk management framework to identify and address the unique risks associated with third-party fund management and conflicts emerging from the same.
 - b) Segregation of funds and operational independence for all the schemes, whether under self-management or third-party fund management.
 - c) Existing mechanism to address the investors' complaints and disputes is extended to the complaints and disputes of the investors of the schemes under third-party fund management arrangement.

- d) An internal policy for conducting periodic internal audits and reviews to ensure compliances with the regulatory requirements with respect to third-party fund management; and the submission of the report thereon to the fiduciaries.
- e) Such other measures as may be specified by the IFSCA.

10. Other obligations of the FME

- 1) It must be the duty of the FME to ensure that
 - a) the third-party meets the eligibility criteria
 - b) the schemes set up by the FME under the third-party fund management arrangement are treated to be the schemes of the FME
 - c) the liability of the FME towards any Restricted Scheme and its investors is not affected due to the third-party fund management services
 - d) the third-party is qualified and capable of undertaking the entrusted functions, and that such third-party was onboarded with due care and caution
 - e) the activities undertaken by the third-party are monitored by the FME and in doing so, the FME must issue such instructions to such third-party as it may deem necessary
 - f) the third-party fund management arrangement enables the FME to terminate the arrangement at any time, in the interest of investors or on the directions of the IFSCA
 - g) it reviews the services rendered by each third-party on an ongoing basis and periodically shares these reports with the respective fiduciaries
 - h) a suitable indemnity mechanism is in place which requires the third-party to indemnify the FME from any potential liabilities arising from the funds managed under the third-party fund management arrangement
 - i) it pays such fees within such timelines as specified by the IFSCA
 - j) such other requirements as may be specified by the IFSCA
- 2) The FME must be responsible for all the acts of omissions and commission of the third-party in relation to the third-party fund management services.

Special Purpose Vehicle

Here, “special purpose vehicle” or “SPV” means any company or LLP or any other structure as approved by the IFSCA-

- i) In which either the Investment Trust or the holdco holds or proposes to hold controlling interest and not less than fifty-one per cent of the equity share capital or interest. This must not apply in case of PPP projects where such acquiring or holding is disallowed by the government or regulatory provisions under the concession agreement or such other agreement, and shall be subject to provisions under clause (e) of Part D under Fourth Schedule.
- ii) which holds not less than eighty per cent of its assets directly in infrastructure projects or properties and does not invest in other SPVs
- iii) which is not engaged in an activity other than holding and developing properties or infrastructure projects, and activities pertaining to and incidental to such holding or development.

Co-investment and Leverage

- 1) A scheme may co-invest in permissible investments either through a special purpose vehicle (SPV) in accordance with the framework specified by the IFSCA or through a segregated portfolio by issuing a separate class of units.
- 2) The FME must ensure that:
 - a) The investments by such segregated portfolios must, in no circumstances, be on terms more favourable than those offered to the common portfolio of the scheme.
 - b) Appropriate disclosures have been made in the placement memorandum regarding creation of segregated portfolio.
- 3) A SPV must undertake leverage as disclosed in the placement memorandum.

Environmental, Social and Governance (ESG)

- 1) A FME managing AUM above USD 3 billion as at the close of a financial year or any other threshold of AUM as may be specified by the IFSCA, must
 - a) establish policy on governance around material sustainability-related risks and opportunities
 - b) disclose in its annual report how the FME identifies, assesses and manages material sustainability-related risks
 - c) establish and disclose in its annual report the process of factoring sustainability related risks and opportunities into fund manager's investment strategies and processes, including, where relevant, data and methodologies used
 - d) comply with any other sustainability related requirements as may be specified by the IFSCA.
- 2) A FME that launches a scheme related to ESG, shall make full disclosure regarding investment objective, investment policy, strategy, material risk, benchmark, etc., in the manner as may be specified by the IFSCA.
- 3) All scheme documents filed by FME with the IFSCA must disclose whether sustainability-related risks are incorporated in the decision making along with the details of the same. In case where the sustainability-related risks are not incorporated in the decision making, a negative statement must be included.

ETHICS AND GOVERNANCE IN FUND MANAGEMENT – THE STEWARDSHIP CODE OF IFSCA

International Financial Services Centres Authority (IFSCA) has introduced a new Stewardship Code for Fund Managers and Institutional Investors operating within GIFT City IFSC. This forward-looking framework aligns with global best practices and aims to promote responsible investment, transparency, and long-term value creation.

IFSCA's Stewardship Code aims to align the practices of institutional investors in IFSC with global standards of responsible ownership and long-term value creation. It seeks to promote active and informed engagement by investors with investee companies to enhance governance, sustainability, and accountability. The Stewardship Code shall apply to all Fund Management Entities (FMEs) and Institutional Investors, including Alternate Investment Funds (AIFs) and Retail Funds (RFs) operating in the IFSC. Entities are encouraged to adopt the Stewardship Code as detailed in Annexure-A of the Circular; or adopt a Stewardship Code issued by:

1. A financial regulator in their home jurisdiction; or
2. Indian financial regulators such as SEBI, IRDAI, or PFRDA; or
3. A statutory professional body such as the Institute of Company Secretaries of India (ICSI).

However, any adopted code must substantially reflect the core principles outlined in IFSCA's framework.

Principles of IFSCA's Stewardship Code:

The Code outlines seven core principles that Fund Management Entities (FMEs) must adopt and implement.

The 7 Principles of the IFSCA Stewardship Code are:

1. Stewardship Policy

FMEs must establish a publicly available stewardship policy that outlines their investment philosophy, governance approach, and oversight mechanisms.

2. Monitoring

Investors are expected to actively monitor portfolio companies, assessing business models, financial performance, ESG issues, and governance practices.

3. Intervention and escalation

The stewardship policy must, therefore, include a framework for intervention in investee companies and possible escalation.

4. Managing Conflicts of Interest

FMEs must implement robust framework and formulate a detailed policy to identify, mitigate, and disclose conflicts of interest, always acting in the best interest of clients and beneficiaries.

5. Responsible Voting Policy

A structured voting policy must be in place to ensure decisions are transparent, aligned with long-term goals, and go beyond rubber-stamping management proposals.

6. Collaboration

Investors are encouraged to collaborate with peers to enhance effectiveness of stewardship activities and promote long term value creation and corporate governance.

7. Disclosure and Reporting

FMEs must publish annual reports detailing their stewardship activities, outcomes, and any deviations from their stated policies.

Compliance:

The adopted Stewardship Code must be communicated to IFSCA and disclosed publicly on the entity's website. For Fund of Funds Schemes, the FME may disclose the Stewardship Code of the underlying or target fund instead of creating a separate one.

Entities must ensure regular, transparent reporting on adherence to the Stewardship Code via their website and periodic reports to IFSCA and mechanisms must be in place to periodically review the efficacy and compliance of the adopted code and related reporting framework.

Ensuring Governance – supervision of funds by IFSCA

The IFSCA regularly conducts onsite and offsite supervision of funds at the IFSC.

Key Aspects of Fund Supervision at IFSC:

- **Regulatory Framework:** Establishing rules for safety, soundness, and market conduct (e.g., capital adequacy, large exposure limits).

- **Monitoring s Enforcement:** Checking compliance through examiner visits (onsite) and data analysis (offsite), taking action for violations.
- **Risk Management:** Ensuring institutions control risks like money laundering (AML), terrorist financing (CFT), and operational failures.
- **Prudential Supervision:** Focusing on viability, resilience, and reducing systemic risk through capital/liquidity requirements.
- **Evolving Focus:** Adapting to new challenges like digitalization, AI, and climate change.

TAXATION OF FUNDS IN THE IFSC

Taxation of Category III AIF

A special tax regime has been introduced for Category III AIF which has only non-resident investors (except for the sponsor or manager). Under this regime, the investors are completely exempt from tax on the income earned from investment in a Category III AIF as per Section 10(23FBC) of the IT Act. While AIF is liable to tax on dividend income, interest income and capital gain on sale of shares in an Indian company, following income streams are exempt from tax (refer Section 10(4D) of the IT Act):

- (i) Capital gain on transfer of bonds, global depository receipts, rupee denominated bonds and derivatives, on a recognised stock exchange located in any IFSC and where the consideration for such transaction is paid or payable in convertible foreign exchange.
- (ii) Income from transfer of securities (other than shares of an Indian resident company).
- (iii) Income from securities issued by a non-resident (not being a permanent establishment of a non-resident in India) and where such income otherwise does not accrue or arise in India.
- (iv) Income from securitisation trust subject to certain conditions.

Tax on dividend income and interest from securities is taxable at the rate of 10% (with no surcharge and cess being applicable). Long term capital gain on sale of equity shares held in an Indian company is taxable at 10% (plus surcharge and cess) whereas short term capital gain is taxable at 30% / (15% on sale of equity shares which is subject to STT), plus applicable surcharge and cess (refer section 115AD of the IT Act). The aforesaid tax treatment is limited to the income of AIF which is attributable to non- resident unitholders (not having a permanent establishment in India).

Taxation of Business Income of AIF

The Business Income of an AIF is taxable at AIF level at the rate specified in the Finance Act for AIF being a company or a limited liability partnership or at maximum marginal rate ("MMR") if the AIF is set up as a trust. The provisions of Section 80LA of the IT Act provide a tax holiday on 100% of the Business Income for a period of 10 assessment years (out of a block of 15 years) to a unit of IFSC which has been approved for undertaking such business in IFSC in a Special Economic Zone. The block of 15 years commences from the year in which the permission or registration is obtained under International Financial Services Centres Authority Act, 2019. Therefore, where the AIF qualifies to be a 'unit' within the provisions of Section 80LA, it could claim a tax holiday on its Business Income for any 10 years within the 15 years block.

Nature of Income	Tax Rate for Non-Resident Investors	Tax Rate for Resident Investors
Long-Term Capital Gains (LTCG) on specified securities listed on an IFSC exchange	Exempt	12.5% (no indexation, over Rs. 1.25 lakh annual exemption for equity-oriented)
Short-Term Capital Gains (STCG) on specified securities listed on an IFSC exchange	Exempt	20% (for equity- oriented funds) or slab rates
Dividend Income	10% concessional rate	Applicable income tax slab rates
Interest Income (on borrowings/ bonds for IFSC Unit)	Not taxable (if paid by an IFSC unit)	Applicable income tax slab rates

Dividend and interest income:

Dividend income is taxable in the hands of an Indian resident investor at the ordinary applicable rate, subject to a maximum of 30%. In the case of a non-resident investor, dividend income is taxable at the rate of 20%.

Interest income is also taxable for an Indian resident investor at the ordinary applicable rate, with the maximum being 30%. For non-resident investors, interest income is taxable at 40% where the investor is a foreign company and at 30% for other non-residents.

Long-term capital gains on listed shares and securities:

Long-term capital gains arising from the sale of listed shares that are subject to securities transaction tax (STT) are taxable in excess of INR 100,000 at the rate of 10% for both Indian resident and non-resident investors.

Where long-term capital gains arise from the sale of listed shares on which STT is not levied, such gains are taxable for an Indian resident investor at 10% without indexation or 20% with indexation, whichever is lower, while for a non-resident investor the applicable rate is 10%.

In the case of long-term capital gains on the sale of listed securities other than shares, the tax rate for an Indian resident investor is 10% without indexation or 20% with indexation, whichever is lower, and for a non-resident investor it is 10%.

Long-term capital gains on unlisted securities:

Long-term capital gains arising from the sale of unlisted shares and securities are taxable at the rate of 20% in the case of an Indian resident investor, whereas such gains are taxable at 10% for a non-resident investor.

Short-term capital gains and deemed short-term gains:

Short-term capital gains on the sale of shares that are subject to STT are taxable at 15% for both Indian resident and non-resident investors.

Short-term capital gains on the sale of other shares and securities are taxable for an Indian resident investor at the ordinary applicable rate, with a maximum of 30%, while for non-resident investors the applicable rate is 40% in the case of a foreign company and 30% for others.

Gains arising from market-linked debentures and specified mutual funds, which are deemed to be short-term capital gains in all cases in accordance with Section 50AA, are taxable for Indian resident investors at the

ordinary applicable rate, subject to a maximum of 30%, and for non-resident investors at 40% for foreign companies and 30% for others.

Dividend and Interest Income

Dividend income is taxable for a company at the ordinary applicable rate, which ranges from 22% to 30%, while for an LLP it is taxable at the rate of 30%.

Interest income is also taxable for a company at the ordinary applicable rate, ranging from 22% to 30%, and for an LLP at 30%.

Long-Term Capital Gains on Listed Shares

Long-term capital gains arising from the sale of listed shares or from the sale of shares under an offer for sale, where the transaction is subject to securities transaction tax (STT), are taxable on gains exceeding INR 100,000 at the rate of 10%.

Long-term capital gains on the sale of listed shares outside the exchange are taxable at 10% without indexation or at 20% with indexation, whichever is lower.

Long-Term Capital Gains on Listed Securities Other Than Shares

Long-term capital gains on the sale of listed securities other than shares are taxable at 10% without indexation or at 20% with indexation, whichever is lower.

Long-Term Capital Gains on Unlisted Shares and Securities

Long-term capital gains arising from the sale of unlisted shares and securities are taxable at the rate of 20%.

Short-Term Capital Gains

Short-term capital gains on the sale of shares that are subject to STT are taxable at the rate of 15%.

Short-term capital gains on the sale of other shares and securities are taxable for a company at the ordinary applicable rate, ranging from 22% to 30%, and at 30% for an LLP.

Gains on Market-Linked Debentures and Specified Mutual Funds

Gains arising from market-linked debentures and specified mutual funds are deemed to be short-term capital gains in all cases. Such gains are taxable for a company at the ordinary applicable rate, ranging from 22% to 30%, and at 30% for an LLP.

LESSON ROUNDUP

- Fund management involves collecting money from investors and investing it in different financial instruments to achieve returns while managing risk.
- It allows investors to benefit from professional expertise, market analysis, and diversification without directly managing investments.
- In IFSCs, fund management activities are regulated by the International Financial Services Centres Authority (IFSCA) to ensure transparency, stability, and investor protection.
- Fund Management Entities (FMEs) must be registered with IFSCA and are classified as Authorised FMEs, Registered FMEs (Non-Retail), and Registered FMEs (Retail) based on the nature of schemes and investors.

- FMEs can launch various investment schemes such as Venture Capital Schemes, Restricted Schemes, Retail Schemes, and Special Situation Funds under the AIF framework.
- Each scheme is governed by specific rules relating to eligibility of investors, minimum corpus, investment limits, tenure, and disclosures.
- Diversification and risk management are core principles of fund management and help reduce overall investment risk.
- Valuation of assets and disclosure of Net Asset Value (NAV) are essential to maintain fairness and enable informed investor decisions.
- Investment Trusts (REITs and InvITs) enable pooling of funds for real estate and infrastructure investments within IFSCs.
- FMEs are required to maintain sound governance practices, including internal controls, audits, record-keeping, and compliance with a Code of Conduct.
- Third-party fund management, co-investments, SPVs, and ESG-focused investments reflect the evolving and global nature of fund management services.

GLOSSARY

Accredited Investor: An investor who meets the prescribed financial criteria and is permitted to invest in certain regulated investment schemes.

Alternative Investment Fund (AIF): A privately pooled investment vehicle that collects funds from investors for investing in accordance with a defined investment policy.

Asset Under Management (AUM): The total market value of assets managed by a fund or Fund Management Entity at a given time.

Authorised Fund Management Entity (Authorised FME): A category of FME permitted to manage funds for accredited investors or specific private schemes in an IFSC.

Close-ended Scheme: An investment scheme with a fixed maturity period and limited entry and exit for investors.

Fund Management: The professional process of investing pooled funds in financial instruments to achieve defined investment objectives.

Fund Management Entity (FME): An entity registered with IFSCA to carry out fund management activities in an IFSC.

Fund of funds scheme: A scheme that invests in other schemes whether in IFSC or India or foreign jurisdictions, except to the extent of funds required for meeting expenses, hedging or liquidity requirements for the purpose of repurchases, redemptions and distribution, as disclosed in the placement memorandum or offer document of the scheme.

Hedging: A risk management technique used to offset potential losses in investments.

Investment Manager: A person or entity responsible for making investment decisions on behalf of a fund or scheme.

Investment Trust: A trust structure used to pool investor funds, such as REITs or InvITs, for investment in income-generating assets.

Net Asset Value (NAV): The per-unit value of a fund, calculated by dividing the net value of assets by the number of outstanding units.

Registered FME (Non-Retail): An FME authorised to manage non-retail investment schemes and portfolio management services in an IFSC.

Registered FME (Retail): An FME authorised to manage retail investment schemes and offer funds to the general public in an IFSC.

Special Purpose Vehicle (SPV): A separate legal entity created for holding specific investments or assets.

Venture Capital Fund: A fund that invests primarily in unlisted securities of start-ups, emerging or early-stage venture capital undertakings primarily involved in new products, new services, technology or intellectual property right-based activities or a new business model or other schemes which invest in such entities.

TEST YOURSELF

(These are meant for recapitulation only. Answer to these questions are not to be submitted for evaluation.)

A. Very Short Answer Questions

1. What is fund management?
2. Who is a Fund Management Entity (FME)?
3. What is the role of IFSCA in fund management?
4. What is meant by pooled investment?
5. Define diversification in the context of fund management.
6. What is an Alternative Investment Fund (AIF)?

B. Short Answer Questions

1. Describe the main functions of a fund manager.
2. Explain the importance of diversification in managing investment risk.
3. Distinguish between Authorised FME and Registered FME (Non-Retail).
4. What are the basic disclosure requirements for fund managers?
5. Explain the role of valuation in fund management.
6. What is the significance of regulatory oversight by IFSCA?

C. Long Answer / Descriptive Questions

1. Explain the concept of fund management and discuss its importance in the financial system.
2. Describe the registration and regulatory framework of Fund Management Entities (FMEs) in IFSCs.
3. Discuss the different types of schemes under the AIF regulatory framework in IFSC.
4. Explain the general obligations and responsibilities of FMEs under IFSCA regulations.

