

**INTERNATIONAL FINANCIAL SERVICES CENTRES AUTHORITY (FUND
MANAGEMENT) REGULATIONS, 2025¹**

[As amended up to September 10, 2026]

In exercise of the powers conferred by sub-section (1) of Section 28 read with sub-section (1) of Section 12 and sub-section (1) of Section 13 of the International Financial Services Centres Authority Act, 2019; Section 28C of the Securities and Exchange Board of India Act, 1992, the International Financial Services Centres Authority hereby makes the following regulations, namely: -

**CHAPTER I
PRELIMINARY**

Short title and commencement

1. (1) These regulations shall be called the International Financial Services Centres Authority (Fund Management) Regulations, 2025.
- (2) These regulations shall come into force on and from the date of their publication in the Official Gazette.

Definitions

2. (1) In these regulations, unless the context otherwise requires, the terms defined herein shall bear the meanings as assigned below, and their cognate expressions and variations shall be construed accordingly, -
 - (a) “Act” means the International Financial Services Centres Authority Act, 2019 (50 of 2019);
 - (b) “accredited investor” means any person who fulfils the eligibility criteria as specified by the Authority;
 - (c) “advertisement” shall include all forms of communication issued by or on behalf of the fund management entity that may influence investment decisions of any investor/prospective investors;
 - (d) ²[“associate” means-

¹ Vide Notification No. IFSCA/GN/2025/002 dated February 10, 2025, published in the Gazette of India, Extraordinary, Part III, Sec. 4, vide No. 116, on February 13, 2025.

²Substituted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026. Prior to the substitution, it read as-
“associate” means-

- (i) a person, in which a director or partner or trustee of the FME or the FME or any fiduciaries as appointed in terms of sub-regulation (2) of regulation 17 of these Regulations, either individually or collectively, holds twenty per cent. (20%) or more of the paid-up equity share capital or partnership interest or such other equivalent direct economic interest, by whatever name called, as the case may be;
- (ii) a person, either individually or collectively, holds twenty per cent. (20%) or more of the paid-up equity share capital or partnership interest or such other equivalent direct economic interest, by whatever name called, as the case may be, in the FME; or
- (iii) any other person, in which the person referred to in sub-clause (ii) holds twenty per cent. (20%) or more of the paid-up equity share capital or partnership interest or such other equivalent direct economic interest, by whatever name called, as the case may be.

Provided that a person appointed as a fiduciary of a scheme, in terms of sub-regulation (2) of regulation 17 of these regulations, shall not be deemed to be an associate of the FME, unless such person holds any direct economic interest or control in such FME.

Explanation. – For the purpose of this clause, “person” shall have the same meaning assigned to it under the International Financial Services Centres Authority (Anti Money Laundering, Counter Terrorist Financing and Know Your Customer) Guidelines, 2022, as may be amended from time to time.]

- (e) “body corporate” shall have the meaning assigned to it under clause (11) of Section 2 of the Companies Act, 2013 (18 of 2013);
- (f) “certificate of registration” means a certificate of registration granted by the Authority under regulation 12 of these regulations;
- (g) “control” shall include the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or partnership agreements or in any other manner, including by holding interest, whether direct or indirect, to the extent of more than fifty per cent. (50%) of voting rights or interest:

Provided that a director or officer of an entity shall not be considered to be in control over such entity, merely by virtue of holding such position;

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- (i) a company or a limited liability partnership (LLP) or a body corporate in which a director or trustee or partner of the FME or the FME or any fiduciaries as defined in regulation 17 of these regulations, either individually or collectively, hold twenty per cent. (20%) or more of its paid-up equity share capital or partnership interest, as the case may be;
 - (ii) a company or a limited liability partnership or a body corporate, either individually or collectively, hold twenty per cent. (20%) or more of its paid-up equity share capital or partnership interest, as the case may be in the FME;
 - (iii) Any other company or a limited liability partnership or a body corporate, in which the entity referred in clause (ii) above holds twenty per cent. (20%) or more of its paid-up equity share capital or partnership interest, as the case may be;”

- (h) “close ended scheme” means any scheme in which the period of maturity of the scheme is specified;
- (i) “compliance officer” means any senior officer, designated so and reporting to the board of directors or head of the organization in case board is not there, who is capable of understanding the financial statements and the requirements for legal and regulatory compliance under these regulations, and who shall be responsible for compliance of policies, procedures, maintenance of records, monitoring adherence to the rules for the preservation of unpublished price sensitive information, monitoring of trades, risk management, and the implementation of the codes specified in these regulations, under the overall supervision of the board of directors of the FME or the head of an organization, as the case may be.
- (j) “corpus” means the total amount of funds committed by investors to the fund management entity under a scheme by way of a written contract or any such document as on a particular date;
- (k) “discretionary portfolio manager” means a portfolio manager who under a contract relating to portfolio management, exercises or may exercise, any degree of discretion as to the investment of funds or management of the portfolio of securities of the client, as the case may be;
- (l) “family investment fund” means a fund, pooling money only from a single family under one or more investment vehicles and has been set up in terms of these regulations;
- (m) “foreign jurisdiction” means a country, other than India, whose securities market regulator is a signatory to International Organization of Securities Commissions’ Multilateral Memorandum of Understanding (Appendix A signatories) or a signatory to a bilateral Memorandum of Understanding with the Authority, and which is not identified in the public statement of Financial Action Task Force as:
 - (i) a jurisdiction having a strategic Anti-Money Laundering or Combating the Financing of Terrorism deficiencies to which counter measures apply; or
 - (ii) a jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with the Financial Action Task Force to address the deficiencies;
- (n) “fund management entity (FME)” means an entity registered with the Authority as a Fund Management Entity under any of the categories specified in these regulations;
- (o) “fund manager” means any individual who is appointed by the FME to manage investments by whatever name called;
- (p) “fund of funds scheme” means 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;
- (q) “IFSCA” or “Authority” means the International Financial Services Centres Authority established under sub-section (1) of Section 4 of the Act;
 - (r) “International Financial Services Centre (IFSC)” shall have the same meaning as assigned to it under clause (g) of sub-section (1) of Section 3 of the Act;
 - (s) “inspecting authority” means one or more persons authorised by the Authority to undertake inspection of the books, accounts, records and documents of a FME or related entities in terms of these regulations;
 - (t) “index scheme” means a scheme that invests in securities in the same proportion as an index of securities;
 - (u) “investee company” means any company, special purpose vehicle or limited liability partnership or body corporate or real estate investment trust or infrastructure investment trust or a fund in which an investment is made;
 - (v) “key managerial personnel (KMP)” means the officers or personnel of the FME who are members of its core management team and includes members of the management one level below the executive directors of the FME, functional heads and includes ‘key managerial personnel’ as defined under the Companies Act, 2013, or any other person whom the FME may designate as a key managerial personnel;
 - (w) "net worth" means the aggregate value of the paid-up share capital (or capital contribution) and all reserves created out of the profits, securities premium account and debit or credit balance of profit and loss account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation;
 - (x) “offer document” means any document by which a Registered FME (Retail) invites public for subscription in a retail scheme, exchange traded fund, or public offer by an Investment Trust;
 - (y) “open ended scheme” means a scheme which is not a close ended scheme;
 - (z) “placement memorandum” means any document by which a FME invites accredited investors or investors investing above a specified threshold to invest in a Venture Capital scheme or a restricted scheme or a private placement by an Investment Trust;
 - (aa) “portfolio” means the total holdings of securities and financial assets belonging to any person;
 - (bb) “principal officer” means an employee designated as such by the FME under sub-regulation (1) of regulation 7;

- (cc) “recognised stock exchange” means a recognised stock exchange in IFSC;
- (dd) “Registered FME” shall mean a FME which has received a Certificate of registration as Registered FME (Non-Retail) or Registered FME (Retail);
- (ee) “restricted scheme” means a scheme offered on private placement basis only to “accredited investors” or investors investing at least USD 1,50,000 and not having more than 1000 investors or such other number as may be specified by the Authority;
- (ff) “Retail scheme” means a scheme offered to all investors or a section of the investors for subscription with no ceiling as to number of investors in the scheme;
- (gg) “Scheme” or “fund” means a scheme of a FME launched under these regulations;
- (hh) “sectoral scheme” refers to a retail scheme which primarily invests in the securities of a particular sector as disclosed in its offer document;
- (ii) “single family” includes a group of individuals who are the lineal descendants of a common ancestor and includes their spouses (including widows and widowers, whether remarried or not) and children (including stepchildren, adopted children, ex nuptial children) and also includes entities such as sole proprietorship firm, partnership firm, company, limited liability partnership, trust or a body corporate, in which an individual or a group of individuals of a single family exercises control and directly or indirectly hold substantial economic interest;
- (jj) “Single Window IT Systems (SWITs)” refers to an online platform designed, *inter-alia*, to facilitate the processing of applications submitted by the applicants for obtaining Certificate of Registration under these regulations;
- (kk) “thematic scheme” means a retail scheme which primarily invests the securities of a particular theme as disclosed in its offer document;
- (ll) “trust” means a trust established under the Indian Trusts Act, 1882, or under an Act of Parliament or State Legislation.
- (mm) “Venture Capital Scheme” means a scheme 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 and shall also include an angel fund as specified by the Authority.

(2) Words and expressions used and not defined in these regulations but defined in the Act or Acts mentioned in the First Schedule to the Act, or the Companies Act, 2013, or any rules or regulations made thereunder shall have the same meanings respectively assigned to them in those Acts, rules or regulations or any statutory modification or re-enactment thereto, as the case may be.

CHAPTER II

REGISTRATION OF FUND MANAGEMENT ENTITY (FME)

Obligation to seek registration

3. (1) Any entity, desirous to undertake the business of fund management under these regulations shall not commence operations in an IFSC unless it has obtained a certificate of registration from the Authority as a FME under any of the categories mentioned in sub-regulation (4).
- (2) An entity desirous of obtaining a certificate of registration as a FME in IFSC shall submit an application form including the declarations and undertakings in the manner as specified in **First Schedule** along with documents and application fees as specified by the Authority.
- (3) An application which is not complete in all respects shall be liable to be rejected.
- (4) The applicant shall 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 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 shall also be 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); and
 - (iii) Such FMEs shall also be 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) may act as investment manager for public offer of Investment Trusts (REITs and InvITs) and shall also be able to launch Exchange Traded Funds (ETFs); and
 - (iii) Further, such FMEs shall also be able to undertake all activities as permitted to Authorised FMEs and Registered FMEs (Non-retail).

Explanation.- Details of activities, investment conditions, responsibilities and obligations for each of the aforesaid category of FME have been specified in distinct Chapters under these regulations. The reference to the term “FME” under the respective Chapters shall be construed according to the permitted activities for the categories specified above. Additional conditions, responsibilities and disclosure obligations may also be specified by the Authority.

Eligibility Conditions

4. For obtaining a certificate of registration under these regulations, the applicant shall meet the requirements and the conditions specified in this Chapter.

Legal form of the applicant

5. (1) The applicant shall be set up in IFSC in the form of a company or LLP or branch thereof or any other form as may be permitted by the Authority:

Provided that a Registered FME (Retail) shall not be permitted in the form of an LLP or branch thereof:

Provided further that 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 branch structure in an IFSC shall comply with the following conditions:

- (a) the parent entity shall adequately ring fence the operations of the branch in IFSC;
- (b) the parent entity shall maintain such minimum capital as may be specified by the Authority, which shall at all times be earmarked for its branch in IFSC and may be held in the jurisdiction where the parent entity is incorporated; and
- (c) any other requirements as may be specified by the Authority.

- (3) The memorandum of association in case of a company, or the LLP agreement in case of a LLP, shall permit it to carry on the activity of Fund Management.

- (4) A Registered FME (Retail) shall have at least four (4) directors with at least fifty per cent. (50%) of them to be independent directors and not associated with the FME.

Track Record and Reputation of Fairness

6. (1) The applicant shall have a sound track record and general reputation of fairness and integrity in all its business transactions.

- (2) For the purposes of sub-regulation (1) “sound track record” shall mean:

- (a) In case of Registered FME (Retail):

- (i) The FME, its holding company, or their subsidiaries, shall have at least five (5) years of experience in collectively managing Assets under Management (AUM)

of at least USD 200 million with more than twenty-five thousand (25,000) investors; or

- (ii) Person(s) in control of the FME holding at least twenty-five per cent. (25%) 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 (5) years, collectively for at least one thousand (1,000) 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:

Provided that the Authority may specify any other criteria for determining sound track record to facilitate new generation fintech companies with innovative ideas that may lead to further market development;

- (b) In case of Registered FME (non-retail) and Authorised FME, that their employees have relevant experience as specified in these regulations.

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

- 7. (1) The applicant shall designate a principal officer who shall be responsible for overall activities of the FME including but not limited to fund management, risk management and compliance.

(2) In case of Registered FME, in addition to the principal officer, one (1) additional KMP shall be designated as Compliance Officer who shall be responsible for compliance with these regulations and ensure implementation of risk management policies and practices at the FME.

(3) In case of Registered FME (Retail), the FME shall, in addition to the principal officer and compliance officer, appoint, before filing with the Authority the offer document of its first retail scheme or ETF, an additional KMP who shall be assigned with 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 shall, in addition to the principal officer and compliance officer, appoint an additional KMP, who shall be assigned with the responsibility of fund management.

Provided that appointment of the additional KMP shall be made within 6 months from the end of such financial year.

Provided further that continuation of the additional KMP shall be optional, if the AUM remains below USD 1 billion for any 2 subsequent consecutive financial years and there is a reasonable expectation that the AUM shall not exceed USD 1 billion in the near term:

Provided also that FMEs which are set up by Government and Government related investors such as central banks, sovereign wealth funds, international or multilateral organizations or

agencies including entities controlled or at least seventy-five per cent. (75%) 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 may not be required.

(5) The applicant shall ensure that the aforementioned principal officer as specified under sub-regulation (1) and other KMPs as specified under sub-regulations (2), (3) and (4), shall be based out of IFSC and meet the following educational qualification 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 Authority:

Provided that if the principal officer, specified under sub-regulation (1), has a work experience of at least 15 (fifteen) years in the activities related to fund management, including portfolio management, investment advisory or similar activities, the minimum educational qualification required for such person shall be a graduate degree in any field:

(b) ³[In addition to the qualifications mentioned under clause (a), an experience of at least five (5) years in related activities in the securities market or financial products in an eligible institution:

Provided that for the KMP referred under sub-regulation (2), the experience mentioned in clause (b) shall be required for a minimum period of 3 (three) years, if such KMP possesses a professional qualification:

Provided further that an individual with post-qualification experience of at least 2 (two) years in an eligible institution in IFSC, India or any foreign jurisdiction and who holds

³ Substituted by the International Financial Services Centres Authority (Fund Management) (Amendment) Regulations, 2026, w.e.f. January 30, 2026. Prior to the substitution, it read as-

“In addition to the qualifications mentioned under clause (a), an experience of at least five (5) 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:

Provided that the consultancy experience in areas related to fund management, such as deal due diligence, transaction advisory, etc. shall be considered for a maximum period of 2 years and experience in other areas as mentioned in sub-regulation (b) shall be required for at least 3 years:

Provided further that for the KMP referred under sub-regulation (2), the experience mentioned in clause (b) shall be required for a minimum period of 3 (three) years, if such 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.

Explanation. – For the purposes of this regulation, the professional qualification shall include 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 referred under sub-regulation (2) it shall also include Bachelor of 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.”

valid certification(s), as specified by the Authority, shall be considered eligible for the KMP referred under sub-regulation (2):

Provided also that individuals with a post-qualification experience of at least 3 (three) years in an eligible institution in IFSC, India or any foreign jurisdiction and who holds valid certification(s), as specified by the Authority, shall be considered eligible for the KMP referred under sub-regulations (1), (3) and (4).

Explanation. – For the purposes of this clause, “eligible institution” shall include the following -

- i) Market Infrastructure Institutions, Capital Market Intermediaries, financial sector regulators, FMEs, Banks, Finance Companies, Insurance Companies, and Insurance Intermediaries in IFSC, and equivalent institutions in India or any foreign jurisdiction;
- ii) consulting firms / advisory firms / firms of Chartered Accountants / Company Secretaries / Cost Accountants in IFSC, India or any foreign jurisdiction, providing services to the institutions mentioned above in (i), in relation to a financial product; and
- iii) a company, whether private or public, if the experience is in relation to finance/ accounts/ secretarial/ law departments of such company.]

Explanation. – For the purposes of this regulation, the professional qualification shall include 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 referred under sub-regulation (2) it shall also include 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 Authority.

(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 shall appoint other personnel commensurate with the size of its operations and activities.

(9) Any appointment and changes to the KMPs appointed under sub-regulation (1), (2), (3) and (4) of this regulation shall take place only in the manner as specified by the Authority.

Net worth requirements

8. (1) An entity seeking registration as a FME shall at all times comply with the net worth requirements as specified in **Second Schedule** of these regulations or such other amount as may be specified by the Authority.

(2) An entity operating as a branch shall at all times comply with the minimum net worth

requirements specified in these regulations for its activities in IFSC which may be maintained at the level of the parent entity, and the parent entity shall ensure that adequate funds are available for the day-to-day operations of the branch.

(3) The minimum net worth requirements as stated above shall be separate and in addition to the minimum net worth requirements applicable for other activities within or outside IFSC.

Fit and proper requirements

9. (1) The applicant and its principal officer, directors/ partners/ designated partners, key managerial personnel and controlling shareholders shall be fit and proper persons, at all times.
- (2) For the purpose of sub-regulation (1), a person shall 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; and
 - (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) 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 Authority or any other regulatory authority, and a period of three years from the date of the order has not elapsed;
Explanation. – For the above provision, the decision to determine materiality shall be that of the Authority.
 - (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 financially not sound or has been categorized as a wilful defaulter;
 - (xi) the person has been declared a fugitive economic offender; or
 - (xii) any other disqualification as may be specified by the Authority.
- (3) Where any person has been declared as not 'fit and proper person' by an order of a regulatory authority, such a person shall not be eligible to apply for any registration, until she satisfies the fit and proper criteria.

Infrastructure Requirements

10. (1) The entity has the necessary infrastructure like adequate office space, equipment, communication facilities and manpower to effectively discharge its activities under these regulations and circulars issued thereunder. The infrastructure requirements should be commensurate to the size of its operations in IFSC.
- (2) The office shall be dedicated, secured and accessible only by authorised person(s) of the FME.

Furnishing of Information

11. (1) The Authority may require the applicant to furnish any further information or clarification regarding itself or nature of the fund or fund management activities or any related matter to consider the application for grant of a certificate of registration.
- (2) If required by the Authority, the applicant shall appear before the Authority for personal representation.
- (3) If required, the Authority may undertake an inspection of the office of the applicant before the grant of a certificate of registration.

Consideration of application and Grant of Certificate of Registration

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

Terms and conditions of registration

13. (1) The registration granted to a FME, shall be subject to the following terms and conditions:-
- (a) the FME, its CEO / Directors / Designated Partners, Principal officer / KMPs shall comply with the provisions of these regulations and circulars issued thereunder; and
 - (b) the FME shall forthwith inform the Authority, of any material change in the information or particulars previously furnished, which have a bearing on the registration granted by the Authority.

(2) The FME which has been granted certificate of registration under a particular category cannot change its category, except with the prior approval of the Authority.

Rejection of application

14. (1) If the Authority, after examination of the application, is of the opinion that the registration cannot be granted, it shall communicate the deficiencies to the Applicant giving it thirty (30) days' time to rectify them.
- (2) If the Applicant fails to rectify such deficiencies to the satisfaction of the Authority within the specified time, the Authority may dispose of the application refusing to grant registration and shall communicate the same to the Applicant, giving reasons for such refusal.

Period of validity

15. The certificate of registration of a FME shall be valid for such period as may be specified by the Authority, unless it is suspended or cancelled by the Authority or surrendered by the FME and taken on record by the Authority.

Surrender of registration

16. A FME may file an application with the Authority for surrender of its certificate of registration.
- Explanation.-* The voluntary surrender of certificate of registration shall be effective only after its acceptance by the Authority.

Constitution of the Fund / Scheme

17. (1) A FME may launch various schemes as provided under these regulations.
- (2) A FME, prior to the filing of a scheme document with the Authority, shall 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; or
 - (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 shall ensure that all the fiduciaries meet with the fit and proper requirements as specified in this Chapter.
- (4) A FME intending to launch retail schemes shall take prior approval of the Authority for appointing any person as a fiduciary.
- (5) The fiduciaries shall comply with the Code of Conduct and obligations as detailed in Part B of **Third Schedule**.

CHAPTER III
SCHEMES FOR FUND MANAGEMENT
PART A: VENTURE CAPITAL SCHEMES

Venture Capital Schemes

18. A Venture Capital Scheme under this Part shall be filed with the Authority as “venture capital fund” under Category I Alternative Investment Fund.

Explanation.- A Scheme filed under this Part may be 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.

Filing of Placement Memorandum

19. (1) A FME may launch Venture Capital schemes through private placement by filing a placement memorandum with the Authority along with the applicable fee, in the manner as may be specified by the Authority.

(2) The filing of scheme documents for such Venture Capital schemes shall be under green channel whereby the schemes filed shall be open for subscription by investors immediately upon communication from the Authority that the placement memorandum has been taken on record:

Provided that Authority may, at any stage, offer its comments which shall suitably be incorporated by the FME in the placement memorandum.

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

(3) The placement memorandum for launch of the Venture Capital scheme shall be valid for twelve (12) months from the date of communication from the Authority to the FME 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 as specified under sub-regulation (1) of regulation 23:

⁴*Provided* that if a FME fails to achieve the minimum size of corpus, as specified under sub-

⁴Substituted by the International Financial Services Centres Authority (Fund Management) (Amendment) Regulations, 2026, w.e.f. January 30, 2026. Prior to the substitution, it read as-

“Provided that if a FME fails to achieve the minimum size of corpus, as specified under sub-regulation (1) of regulation 23, within the specified time period, it shall have the one-time option to extend the validity of the placement memorandum for a further period of six (6) months by paying fifty per cent. (50%) of the fee as applicable for filing of a fresh scheme.”

regulation (1) of regulation 23, within the specified time period, it shall have the option to extend the validity of the placement memorandum, wherein each such extension shall be for a period of six (6) months starting from the day after the expiry of the existing validity of the placement memorandum, by filing an application at such time when the placement memorandum is still valid, accompanied by a fee equal to –

- i) for the first extension, twenty-five per cent. (25%) of the applicable fee for filing of a fresh scheme, as may be prevalent at the time of such extension; and
- ii) for each subsequent extension, fifty per cent. (50%) of the applicable fee for filing of a fresh scheme, as may be prevalent at the time of such extension]

(4) The FME shall ensure that any material changes from the information provided in the placement memorandum are immediately informed to the Authority.

Eligible Investors

20. (1) A Venture Capital scheme shall not have more than fifty (50) investors.

(2) Investors investing at least USD 250,000 and Accredited Investors shall be permitted to invest in such schemes:

Provided that where the investors are employees or directors or designated partners of the FME, the minimum value of investment shall be USD 60,000:

Provided further that a FME may accept investments in a Venture Capital scheme from multiple investors acting together as joint investors, wherein each such investor shall invest at least the minimum applicable investment amount:

Provided also that the total investments by the following individuals when acting as joint investors, shall 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.

Provided also that the minimum investment threshold specified above shall not apply to an Accredited Investor.

Explanation.- A Registered FME intending to launch Venture Capital Schemes to target more than fifty (50) investors or pool money from investors investing with lower application size of USD 150,000 shall be able to do so under restricted schemes as provided under Part B of this Chapter.

Nature and structure of Scheme

21. (1) A Venture Capital scheme shall only be a close ended scheme.

(2) The amount to be raised under a Venture Capital scheme and the tenure of the scheme, which shall not be less than three (3) years, shall be disclosed in the placement memorandum.

- (3) The tenure of a close ended scheme may be extended up to two (2) years, subject to approval of two-thirds (2/3rd) of the investors by value of their investment in the Venture Capital scheme.:
- (4) Further extension to the tenure of a Venture Capital scheme beyond the two (2) year period shall be subject to express consent of the willing investors and exit opportunity being made available to the dissenting investors.
- (5) A Venture Capital scheme shall be constituted in IFSC as Company or LLP or Trust under the applicable laws of India.

Permissible investments

22. (1) Subject to other provisions of these regulations, 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; or
 - (i) Such other securities or financial products/ assets or instruments as specified by the Authority:

Provided that pending deployment of monies, FME may invest in ⁵[***] 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 Authority.

⁶[*Provided* further that any monies received from the contributors prior to the first close of the scheme shall be deployed only in such permissible investments as per sub-regulation (1) of regulation 22 that support preservation of capital and adequate liquidity of the monies deployed, such as bank deposits with option for premature withdrawal, overnight funds, etc., as disclosed by the FME in the placement memorandum.]

⁵ The words and symbol "Certificates of deposits," omitted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026.

⁶ Inserted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026.

(2) Any investment made under sub-regulation (1) shall be in accordance with the provisions of these regulations, investment objective of the Venture Capital scheme and disclosures made in the placement memorandum.

Restrictions on Investment and Corpus of the Scheme

23. (1) In case of Venture Capital schemes, the minimum size of the corpus shall be USD 3 Million, and the total corpus shall not exceed USD 200 Million.

(2) Venture Capital scheme may invest in its associate, subject to the prior approval of seventy-five per cent. (75%) investors in the scheme by value.

(3) Venture Capital schemes shall invest at least 80 per cent. (80%) of the corpus in Investee Companies where not more than ten (10) years have elapsed since incorporation of such companies, or other schemes which meet such requirement.

⁷[*Provided* that a Venture Capital scheme may further invest during the subsequent round(s) of fund raising in such Investee Companies where ten (10) years have elapsed since incorporation of such companies, subject to the following conditions:

(i) The subsequent investment(s) in such Investee Companies shall be in accordance with the investment objectives and investment strategy of the scheme, provisions of its placement memorandum and internal policies of the FME in this matter;

(ii) In case of exclusion of an investor in an Investee Company, either by choice of the investor or the FME, in accordance with the placement memorandum and contribution agreement, such investor shall not be allowed to participate in the subsequent round(s) of investment in such company; and

(iii) The contribution by the scheme in any subsequent round should be limited to the extent that the post-issue beneficial interest (on a fully diluted basis) of the scheme in such Investee Company does not exceed its pre-issue beneficial interest (on a fully diluted basis) therein.]

(4) Venture Capital schemes shall 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. (50%) of the corpus of the scheme, unless prior approval has been obtained from seventy-five per cent. (75%) investors in the scheme by value:

Provided that the voting process shall exclude such investor(s) who has committed to invest at least fifty per cent. (50%) of the corpus of the scheme and is buying or selling the securities, from or to the scheme:

Provided further that 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

⁷ Inserted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026.

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).

⁸[(5) The FME shall ensure that any differential distribution rights to investors through issuance of senior and junior or subordinate units in a Venture Capital scheme shall be in accordance with the framework as may be specified by the Authority.

Explanation. – “senior units” indicate such class of units which has superior rights over the distribution proceeds of the Venture Capital scheme, while “junior units” or “subordinate units” indicate such classes of units, including mezzanine units, the rights of which over the distribution proceeds of the scheme would be inferior to that of senior units.]

Disclosures to investors

24. (1) The placement memorandum for Venture Capital schemes shall 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) ⁹[The FME shall ensure that the Net Asset Value (NAV) is disclosed to the investors at least on a yearly basis, starting from the financial year in which the scheme commences investment activities, excluding investments made in accordance with second proviso to sub-regulation (1) of regulation 22, and within such time period as disclosed in the placement memorandum of the scheme.
- (3) The FME shall ensure that the portfolio under the scheme is disclosed to the investors at least on a yearly basis, starting from the financial year in which the scheme commences investment activities, excluding investments made in accordance with second proviso to sub-regulation (1) of regulation 22, within one (1) month of the end of each financial year.]
- (4) Any other material disclosure, as considered suitable by the FME or the fiduciaries, shall be informed to the investors immediately.
- (5) The FME and fiduciaries shall comply with the disclosure requirements as may be specified by the Authority.

Borrowing

25. A Venture Capital scheme may borrow funds or engage in leveraging activities, subject to the

⁸ Inserted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026.

⁹ Substituted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026. Prior to the substitution, it read as-

“(2) The FME shall 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 shall ensure that the portfolio under the scheme is disclosed to the investors at least on a yearly basis and not later than one (1) month of the end of each financial year.”

following conditions:-

- (a) The maximum leverage by the scheme, along with the methodology for calculation of leverage, shall be disclosed in the placement memorandum;
- (b) The leverage shall be exercised in accordance with the disclosures in the placement memorandum and any deviation therefrom shall be subject to consent of two-thirds (2/3rd) of the investors by value; and
- (c) The FME intending to employ leverage shall have a comprehensive risk management framework appropriate to the size, complexity and risk profile of the scheme.

Valuation

26. (1) The FME and fiduciaries shall ensure compliance of investment valuation norms, as specified in the **Sixth Schedule**.

(2) ¹⁰[For the purpose of computation and disclosure of NAV to the investors and in line with] the investment valuation norms, the assets of the scheme shall be valued by an independent service provider, such as a fund administrator, a custodian, a credit rating agency registered with the Authority or a valuer registered with Insolvency and Bankruptcy Board of India or such other person as may be specified by the Authority:

¹¹*[Provided that this requirement shall not apply to the investments made by a scheme in other scheme(s), that are regulated by a financial sector regulator, directly or through a manager, in IFSC, India or foreign jurisdiction(s), and valued by any independent entity.]*

Computation of NAV

27. (1) The FME shall compute the NAV of each Venture Capital scheme at least on an annual basis ¹²[, starting from the financial year in which the scheme commences investment activities, excluding investments made in accordance with second proviso to sub-regulation (1) of regulation 22].

(2) The procedure and methodology for calculating the NAV should be fully documented, and such documentation should be regularly verified and amended, if required.

Contribution by the FME in the scheme

¹⁰Substituted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026. Prior to the substitution, it read as "In line with"

¹¹Substituted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026. Prior to the substitution, it read as-

"Provided that this requirement shall 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."

¹²Inserted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026.

28. (1) ¹³[Under a Venture Capital scheme, the FME or its associate shall contribute an amount which shall be at least 2.5% of the corpus or USD 750,000, whichever is lower, subject to such contribution not exceeding 10% of the corpus:

Provided that the contribution by the FME or its associate shall not be mandatory in case of relocated schemes established or incorporated or registered outside India to IFSC.

Provided further that the ceiling of 10% shall not apply to a Venture Capital scheme if:

- (i) the FME and its associate investing in the scheme, are persons resident outside India and do not have any person resident in India as their ultimate beneficial owners and not more than one-third of the corpus of the scheme is invested in an Investee Company and its associates, or
- (ii) the FME and its associate investing in the scheme, are persons resident in India or have any person resident in India as their ultimate beneficial owner, the investments under the scheme are made only in permissible investments, as per sub-regulation (1) of regulation 22, in IFSC or foreign jurisdictions and the said contribution does not exceed 25% of the corpus of the scheme.]

(2) The said contribution in proportion to investment by the investor(s) in the scheme shall be made by the FME or its associate within forty-five (45) days and be maintained on an ongoing basis:

Provided that the period of forty-five (45) days may be extended, subject to the satisfaction of the Authority.

(3) The contribution, if brought in by FME, may be taken into consideration for the purpose of net-worth requirements as ¹⁴[specified under these regulations].

(4) The said contribution shall be exempted if:

- (a) at least two-thirds (2/3rd) of the investors in the scheme by value permit waiver of such contribution;

¹³Substituted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026. Prior to the substitution, it read as-

“Under a Venture Capital scheme, the FME or its associate shall invest:-

- a) at least 2.5% of the targeted corpus and not exceeding 10% of the targeted corpus in a scheme with targeted corpus up to USD 30 Million;
- b) at least USD 750,000 and not exceeding 10% of the targeted corpus in a scheme with targeted corpus more than USD 30 Million;

Provided that the contribution by the FME or its associate shall not be mandatory in case of relocated schemes established or incorporated or registered outside India to IFSC.

Provided further that the ceiling of 10% shall not apply for Venture Capital schemes if:

- (i) the FME and its associate investing in the scheme, are persons resident outside India and do not have any person resident in India as their ultimate beneficial owners; and*
- (ii) not more than one-third of the corpus of the scheme is invested in an Investee Company and its associates.”*

¹⁴Substituted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026. Prior to the substitution, it read as “detailed under the Chapter II”.

- (b) at least two-thirds (2/3rd) of the investors in the scheme are accredited investors; or
- (c) ¹⁵[The scheme is a fund of funds scheme investing in scheme(s) with similar requirements, wherein the scheme in IFSC does not involve active management by the FME and the details of inter-se allocation of the underlying scheme(s) are disclosed in the placement memorandum of the scheme.]

Co-investment and Leverage

29. (1) A Venture Capital scheme may co-invest in permissible investments under sub-regulation (1) of regulation 22 either through a special purpose vehicle (SPV) in accordance with the framework specified by the Authority or through a segregated portfolio by issuing a separate class of units.
- (2) The FME shall ensure that:-
- (a) The investments by such segregated portfolios shall, in no circumstances, be on terms more favourable than those offered to the common portfolio of the Venture Capital scheme; and
 - (b) Appropriate disclosures have been made in the placement memorandum regarding creation of segregated portfolio.
- (3) A SPV mentioned in sub-regulation (1) may undertake leverage as disclosed in the placement memorandum.

¹⁵Substituted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026. Prior to the substitution, it read as-
“the scheme is a fund of funds scheme investing in scheme(s) with similar requirements.”

PART B: RESTRICTED SCHEMES (NON-RETAIL SCHEMES)

Restricted Schemes (Non-Retail Schemes)

30. (1) Restricted Schemes are schemes that may be launched by Registered FMEs for various investment strategies, such as for:-

(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 (as detailed in Part D of this Chapter) and such other Schemes/Funds as may be specified by the Authority; and shall be filed before the Authority as Category I Alternative Investment Fund.

Explanation I.- A Scheme filed under clause (a) may 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.

Explanation II.- Venture capital funds under this Part shall not be required to comply with conditions specified for Venture Capital schemes as specified under Part A of Chapter III of these regulations.

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

Explanation.- A Scheme filed under clause (b) may be construed as 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 the clauses (a) and (b), shall be filed before the Authority as Category II Alternative Investment Fund.

Explanation.- The Scheme may be construed as 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 clauses (a) and (c) of sub-regulation (1) shall be filed before the Authority as a close-ended scheme and those covered under clause (b) shall be filed before the Authority either as a close-ended scheme or an open-ended scheme.

Eligible FMEs and Filing of Placement Memorandum

31. (1) A Registered FME may launch restricted schemes through private placement by filing the placement memorandum with the Authority along with the applicable fees, in the manner as may be specified by the Authority in this regard.

(2) The filing of scheme documents for restricted schemes shall be under green channel whereby the schemes filed shall be open for subscription by investors immediately upon communication from the Authority that the placement memorandum has been taken on record:

Provided that the Authority may, at any stage, offer its comments which shall suitably be incorporated by the FME in the placement memorandum.

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

(3) The placement memorandum for launch of the restricted scheme shall be valid for twelve (12) months from the date of communication from the Authority to the Registered FME 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 as specified under sub-regulation (2) of regulation 35:

¹⁶*[Provided* that if a FME fails to achieve the minimum size of corpus as specified under sub-regulation (2) of regulation 35, within the specified time period, it shall have the option to extend the validity of the placement memorandum, wherein each such extension shall be for a period of six (6) months starting from the day after the expiry of the existing validity of the placement memorandum, by filing an application at such time when the placement memorandum is still valid, accompanied by a fee equal to-

(i) for the first extension, twenty-five per cent. (25%) of the applicable fee for filing of a fresh scheme, as may be prevalent at the time of such extension; and

(ii) for each subsequent extension, fifty per cent. (50%) of the applicable fee for filing of a fresh scheme, as may be prevalent at the time of such extension.]

(4) The FME shall ensure that any material changes from the information provided in the placement memorandum, shall be immediately informed to the Authority.

Eligible Investors

32. (1) Restricted schemes shall not have more than one thousand (1000) investors or such number as may be specified by the Authority.

¹⁶Substituted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026. Prior to the substitution, it read as-

“Provided that if a FME fails to achieve the minimum size of corpus, as specified under sub-regulation (2) of regulation 35, within the specified time period, it shall have the one-time option to extend the validity of the placement memorandum for a further period of 6 months by paying 50 per cent. (50%) of the fee as applicable for filing of a fresh scheme.”

(2) Investors investing at least USD 150,000 and Accredited Investors may invest in such schemes:

Provided that 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:

Provided further that a FME may accept investments in a Restricted scheme from multiple investors acting together as joint investors, wherein each such investor shall invest at least the minimum applicable investment amount:

Provided also that the following individuals, not more than two, when act as joint investors, the total investment by such individuals shall 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.

Provided also that the minimum investment threshold shall not apply to an accredited investor.

Nature and Structure of Scheme

33. (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 shall not be less than one (1) year, shall be disclosed in the placement memorandum.
- (3) The tenure of the close ended restricted schemes may be extended up to two (2) years subject to approval of two-thirds ($2/3^{\text{rd}}$) of the investors by value of their investment in the restricted scheme.
- (4) Further extension to the tenure of a close ended restricted scheme beyond the two (2) 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.

Permissible investments

34. (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; or
- (i) Such other securities or financial products/assets or instruments as specified by the Authority:

Provided that pending deployment of monies, FME may invest in ¹⁷[***] 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 Authority.

¹⁸[*Provided* further that any monies received from the contributors prior to the first close in case of a close-ended scheme, or prior to raising USD 1 Million in funds in case of an open-ended scheme, shall be deployed only in such permissible investments as per sub-regulation (1) of regulation 34 that support preservation of capital and adequate liquidity of the monies deployed, such as bank deposits with option for premature withdrawal, overnight funds, etc., as disclosed by the FME in the placement memorandum.]

(2) Any investment made under sub-regulation (1) shall be in accordance with the provisions of these regulations, investment objective of the restricted scheme and disclosures made in the placement memorandum.

(3) In addition to the above, a close ended scheme may invest up to twenty per cent. (20%) of the corpus in physical assets such as real estate, bullion, art or any other physical asset as may be specified by the Authority.

Restrictions on Investment and Corpus of the Scheme

35. (1) In case of an open-ended scheme, the maximum investment in unlisted securities should not exceed twenty-five per cent. (25%) of the corpus of the scheme:

Provided that in case of an open-ended fund of funds scheme, this requirement shall not be applicable if such scheme is investing in other open-ended scheme(s) which shall not have investment in unlisted securities in excess of twenty-five per cent. (25%) of their corpus.

¹⁹[*Provided* further that the investments by an open-ended scheme in unlisted securities shall be undertaken only upon achieving the minimum corpus of USD 3 Million.]

¹⁷ The words and symbol “Certificates of deposits,” omitted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026.

¹⁸ Inserted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026.

¹⁹ Inserted by the International Financial Services Centres Authority (Fund Management) (Amendment) Regulations, 2026, w.e.f. January 30, 2026

(2) The minimum size of corpus of the restricted schemes shall be USD 3 Million:

Provided that an open-ended scheme may commence investment activities upon raising at least USD 1 Million in funds and shall achieve the minimum corpus of USD 3 Million within 12 months from the date of communication from the Authority that the placement memorandum of the scheme has been taken on record.

²⁰*[Provided* further that if a FME fails to achieve the minimum size of corpus of USD 3 Million within the specified time period, it shall have the option to extend the validity of the placement memorandum, wherein each such extension shall be for a period of six (6) months starting from the day after the expiry of the existing validity of the placement memorandum, by filing an application at such time when the placement memorandum is still valid, accompanied by a fee equal to-

- i) for the first extension, twenty-five per cent. (25%) of the applicable fee for filing of a fresh scheme, as may be prevalent at the time of such extension; and
- ii) for each subsequent extension, fifty per cent. (50%) of the applicable fee for filing of a fresh scheme, as may be prevalent at the time of such extension.]

(3) Restricted schemes may invest in its associate subject to the prior approval of seventy-five per cent. (75%) investors in the scheme by value.

(4) Restricted schemes shall 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. (50%) of the corpus of the scheme, unless prior approval has been obtained from seventy-five per cent. (75%) investors in the scheme by value:

Provided that the voting process shall exclude such investor(s) who have committed to invest at least fifty per cent. (50%) of the corpus of the scheme and is buying or selling the securities, from or to, the scheme:

Provided further that 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 shall invest in accordance with such additional conditions as may be specified by the Authority.

²¹[(6) The FME shall ensure that any differential distribution rights to investors through issuance of senior and junior or subordinate units in a Restricted scheme shall be in accordance with the

²⁰ Inserted by the International Financial Services Centres Authority (Fund Management) (Amendment) Regulations, 2026, w.e.f. January 30, 2026

²¹ Inserted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026.

framework as may be specified by the Authority.

Explanation. – “senior units” indicate such class of units which has superior rights over the distribution proceeds of the Restricted scheme, while “junior units” or “subordinate units” indicate such classes of units, including mezzanine units, the rights of which over the distribution proceeds of the scheme would be inferior to that of senior units.]

Disclosures to investors

36. (1) The placement memorandum for restricted schemes shall 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 (2/3rd) of investors by value.

(3) ²²[The FME shall 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, starting from the month or half-year period, as the case may be, in which the scheme commences investment activities, excluding investments made in accordance with second proviso to sub-regulation (1) of regulation 34, and within such time period as disclosed in the placement memorandum of the scheme.

Provided that such half-year period may be enhanced to one year in case of a close-ended scheme on prior approval of at least seventy-five per cent. (75%) investors in the scheme by value of their investments.

(4) The FME shall ensure that the portfolio under the scheme is disclosed to the investors at least on a quarterly basis, starting from the quarter in which the scheme commences investment activities, excluding investments made in accordance with second proviso to sub-regulation (1) of regulation 34, within one (1) month from the end of each quarter.]

(5) Any other material disclosure as considered suitable by the FME or the fiduciaries shall be informed to the investors immediately.

(6) The FME and the fiduciaries shall comply with the disclosure requirements as may be specified by the Authority.

²² Substituted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026. Prior to the substitution, it read as-

“(3) The FME shall 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 shall 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.”

Borrowing

37. A restricted scheme may borrow funds or engage in leveraging activities, subject to the following conditions:-
- (a) The maximum leverage by the scheme, along with the methodology for calculation of leverage, shall be disclosed in the placement memorandum;
 - (b) The leverage shall be exercised in accordance with the disclosures in the placement memorandum and any deviation therefrom shall be subject to consent of two-thirds (2/3rd) of the investors by value; and
 - (c) The FME intending to employ leverage shall have a comprehensive risk management framework appropriate to the size, complexity and risk profile of the fund.

Valuation

38. (1) The FME and fiduciaries shall ensure compliance of investment valuation norms specified in the **Sixth Schedule**.
- (2) ²³[For the purpose of computation and disclosure of NAV to the investors and in line with] the investment valuation norms, the assets of the scheme shall be valued by an independent service provider, such as a fund administrator, a custodian, a credit rating agency registered with the Authority or a valuer registered with Insolvency and Bankruptcy Board of India or such other person as may be specified by the Authority:
- ²⁴[*Provided that this requirement shall not apply to the investments made by a scheme in other scheme(s), that are regulated by a financial sector regulator, directly or through a manager, in IFSC, India or foreign jurisdiction(s), and valued by any independent entity.*]

Computation of NAV

39. (1) ²⁵[The FME shall compute the NAV of each restricted scheme at least on a monthly basis, starting from the month in which the scheme commences investment activities, excluding investments made in accordance with second proviso to sub-regulation (1) of regulation 34:
- Provided that in case of a close - ended restricted scheme the computation of NAV shall take place at least half-yearly, starting from the half-year period in which the scheme commences investment activities, excluding investments made in accordance with second proviso to sub-regulation (1) of*

²³ Substituted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026. Prior to the substitution, it read as "In line with"

²⁴ Substituted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026. Prior to the substitution, it read as-

"Provided that the above requirement shall 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."

²⁵ Substituted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026. Prior to the substitution, it read as-

" FME shall compute the NAV of each restricted scheme at least on a monthly basis:

Provided that in case of a close ended restricted scheme the computation of NAV shall take place at least half-yearly."

regulation 34.

Provided further that for such close - ended schemes for which the FME has obtained prior approval from investors in terms of proviso to sub-regulation (3) of regulation 36, the computation of NAV shall take place at least yearly, starting from the financial year in which the scheme commences investment activities, excluding investments made in accordance with second proviso to sub-regulation (1) of regulation 34.]

(2) The procedure and methodology for calculating the NAV should be fully documented, and such documentation should be regularly verified and amended, if required.

Contribution by the FME in the scheme

40. (1) ²⁶[Under a restricted scheme, the FME or its associate shall contribute an amount, -

- (a) In case of a close - ended scheme, at least 2.5% of the corpus or USD 750,000, whichever is lower, subject to such contribution not exceeding 10% of the corpus;
- (b) In case of an open-ended scheme, at least 5% of the corpus or USD 1,500,000, whichever is lower, subject to such contribution not exceeding 10% of the corpus:

Provided that the contribution by the FME or its associate shall not be mandatory in case of relocated schemes established or incorporated or registered outside India to IFSC:

Provided further that ceiling of 10% shall not apply to a restricted scheme if:

- (i) the FME and its associate investing in the scheme, are persons resident outside India and do not have any person resident in India as their ultimate beneficial owners and not more than one-third of the corpus of the scheme is invested in an Investee Company and its associates; or
- (ii) the FME and its associate investing in the scheme, are persons resident in India or have any person resident in India as their ultimate beneficial owner, the investments

²⁶ Substituted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026. Prior to the substitution, it read as-

“Under a restricted scheme, the FME or its associate shall invest :-

- (a) *“ In case of a close ended scheme,*
 - (i) *at least 2.5% of the targeted corpus and not exceeding 10% of the targeted corpus in a scheme with targeted corpus up to USD 30 Million;*
 - (ii) *at least USD 750,000 and not exceeding 10% of the targeted corpus in a scheme with targeted corpus more than USD 30 Million;*
- (b) *In case of an open-ended scheme,*
 - (i) *at least 5% of the targeted corpus and not exceeding 10% of the targeted corpus in a scheme with targeted corpus less than USD 30 Million;*
 - (ii) *at least USD 1,500,000 and not exceeding 10% of the targeted corpus in a scheme with targeted corpus more than USD 30 Million;*

Provided that the contribution by the FME or its associate shall not be mandatory in case of relocated funds /schemes established or incorporated or registered outside India to IFSC:

Provided further that ceiling of 10% shall not apply for restricted schemes if:

- (i) *the FME and its associate investing in the scheme, are persons resident outside India and do not have any person resident in India as their ultimate beneficial owners; and*
- (ii) *not more than one-third of the corpus of the scheme is invested in an Investee Company and its associates.”*

under the scheme are made only in permissible investments, as per sub-regulation (1) of regulation 34, in IFSC or foreign jurisdictions and the said contribution does not exceed 25% of the corpus of the scheme.]

(2) The said contribution in proportion to investor's investment in the scheme shall be made by the FME or its associate within forty-five (45) days and maintained on ongoing basis:

Provided that the period of forty-five (45) days may be extended subject to the satisfaction of the Authority.

(3) The said contribution, if brought in by FME, may be taken into consideration for the purpose of net-worth requirements as ²⁷[specified under these regulations].

(4) The said contribution shall be exempted if :-

(a) at least two-thirds (2/3rd) of the investors in the scheme by value permits waiver of such contribution;

(b) at least two-thirds (2/3rd) of the investors in the scheme are accredited investors; ²⁸[***]

(c) ²⁹[The scheme is a fund of funds scheme investing in scheme(s) with similar requirements, wherein the scheme in IFSC does not involve active management by the FME and the details of inter-se allocation of the underlying scheme(s) are disclosed in the placement memorandum of the scheme;]

³⁰[(d) The scheme is an index scheme; or

(e) The scheme is a fund of funds scheme investing in index schemes or passive ETFs, and the details of inter-se allocation of the underlying schemes are disclosed in the placement memorandum of the scheme.]

Co-investment and Leverage

41. (1) A restricted scheme may co-invest in permissible investments under sub-regulation (1) of regulation 34 through a SPV in accordance with the framework specified by the Authority or through a segregated portfolio by issuing a separate class of units.

(2) The FME shall ensure that:-

(a) The investments by such segregated portfolios shall, in no circumstances, be on terms more favourable than those offered to the common portfolio of the restricted scheme; and

(b) Appropriate disclosures have been made in the placement memorandum regarding creation of segregated portfolio.

²⁷ Substituted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026. Prior to the substitution, it read as "detailed under the Chapter II"

²⁸ The word "or" omitted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026.

²⁹ Substituted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026. Prior to the substitution, it read as-

"The scheme is a fund of funds scheme investing in scheme(s) with similar requirements."

³⁰ Inserted by International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026 w.e.f. September 10, 2026.

- (3) A SPV mentioned in sub-regulation (1) may undertake leverage as disclosed in the placement memorandum.

PART C: RETAIL SCHEMES

Retail Schemes

42. Retail Schemes are schemes that may 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.

Eligible FMEs and Filing of Offer Document

43. (1) No scheme shall be launched unless a draft offer document is filed with the Authority along with the applicable fees at least twenty-one (21) working days before the launch of the scheme.
(2) The validity of the offer document for launch of the scheme shall be twelve (12) months from the date of communication from the Authority to the FME that the offer document has been taken on record.

Explanation.- For the purpose of the Income Tax Act, 1961, the communication received by the FME from the Authority that the offer document has been taken on record, shall be construed as Certificate of Registration.

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

Minimum number of Investors

44. Retail schemes shall have at least twenty (20) investors with no single investor investing more than twenty-five per cent. (25%) in a scheme and shall ensure compliance with this requirement within a maximum period of six (6) months from the closure of the offer.

Nature and Structure of Scheme

45. (1) Retail schemes may be open-ended or close-ended.
(2) The tenure of a close-ended scheme, which shall not be less than three (3) years, shall be disclosed in the offer document.
(3) The tenure of the close ended scheme may be extended up to two (2) years, subject to approval of two-thirds (2/3rd) of the investors by value of their investment in the scheme and the approval of the Authority.
(4) Retail schemes shall be constituted in IFSC as Company or Trust under the applicable laws of India.

(5) Retail schemes may 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 Authority.

Permissible investments

46. (1) Subject to other provisions of these regulations, a retail scheme may 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; or
 - (h) Such other securities or financial products/ assets or instruments as specified by the Authority:

Provided that pending deployment of monies, FME may invest in ³¹*** 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 Authority.

³²*[Provided* further that any monies received from the contributors prior to achieving the minimum size as specified under sub-regulation (6) of regulation 47 in case of a close-ended scheme or prior to raising USD 1 Million in funds in case of an open-ended scheme, shall be deployed only in such permissible investments as per sub-regulation (1) of regulation 46 that support preservation of capital and adequate liquidity of the monies deployed, such as bank deposits with option for premature withdrawal, overnight funds, etc., as disclosed by the FME in the offer document.]

(2) Any investment made under sub-regulation (1) shall be in accordance with the provisions of these regulations, investment objective of the retail scheme and disclosures in the offer document.

³¹ Words and symbol “Certificates of deposits,” omitted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026.

³² Inserted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026.

Restrictions on Investment and AUM of the Scheme

47. (1) In case of an open-ended scheme, the maximum investment in unlisted securities should not exceed fifteen per cent. (15%) of the total AUM of the scheme:

Provided that this restriction shall 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 case of close-ended schemes investing more than fifteen per cent. (15%) in unlisted securities, shall be USD 10,000:

Provided that a close-ended scheme shall not invest more than fifty per cent. (50%) in unlisted securities:

Provided further that the minimum amount of investment of USD 10,000 and the cap of fifty per cent. (50%) shall not be applicable in case of investment by 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 shall not invest more than ten per cent. (10%) of its AUM in securities of a single company:

Provided that a retail scheme may invest up to fifteen per cent. (15%) in a single company with the prior approval of the fiduciaries:

Provided further that the limit on investment in single company in case of sectoral or thematic or Index schemes shall 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:

Provided also that fund of funds schemes shall be permitted to invest in other scheme(s) if such scheme(s) meets the requirement under this regulation.

- (4) Retail schemes shall not invest more than twenty-five per cent. (25%) of its AUM in a single sector:

Provided that in case of financial services sector, the amount shall not exceed fifty per cent. (50%) of the AUM of the scheme:

Provided further that the limit on sectoral caps shall not apply in case of a sectoral or thematic or an Index Scheme:

³³*Provided* also that in case of a fund of funds scheme, the limit on sectoral cap shall not be applicable if such scheme is investing in other scheme(s) which are regulated by the concerned

³³ Substituted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026. Prior to the substitution, it read as-

“*Provided also that in case of a fund of funds scheme, the limit on sectoral cap shall 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).*”

regulatory authority in their home jurisdiction(s) and are permitted for offering to retail investors in their home jurisdiction(s).]

(5) A Retail scheme shall not invest more than twenty-five per cent. (25%) of the AUM in its associate:

Provided that this restriction shall 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 shall be USD 3 Million:

Provided that an open-ended scheme may commence its investment activities upon receiving at least USD 1 Million from investors and it shall receive at least USD 3 Million from investors within 12 months from the date of communication from the Authority, that the offer document has been taken on record:

Provided further that if a FME fails to achieve the minimum investment within the specified time, it shall have a one-time option to extend the validity of the offer document for a further period of 6 months by paying 50 per cent. (50%) of the fee as applicable for filing of a fresh scheme.

Disclosures to Investors

48. (1) The offer document for retail schemes shall 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 shall *inter-alia* include disclosures regarding the investment objective, the targeted investors, proposed size, investment style or strategy, investment methodology, proposed tenure of the scheme ³⁴[, methodology of computation and disclosure of NAV,] fees and expenses, ³⁵[conflicts of interest,] 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 should be made with the consent of at least two-thirds (2/3rd) of investors by value.

(4) ³⁶[The FME shall ensure that the NAV is disclosed to the investors on a daily basis in case of an open-ended scheme and at least on weekly basis in case of a close-ended scheme, starting from the day or week, as the case may be, in which the scheme commences investment

³⁴ Inserted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026.

³⁵ Inserted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026.

³⁶ Substituted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026. Prior to the substitution, it read as-

“(4) The FME shall 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; in such manner as specified by the Authority.

(5) The FME shall ensure that the portfolio under the scheme is disclosed to the investors at least on a quarterly basis within one (1) month from the end of the quarter.”

activities, excluding investments made in accordance with second proviso to sub-regulation (1) of regulation 46, in such manner as specified by the Authority.

(5) The FME shall ensure that the portfolio under the scheme is disclosed to the investors at least on a quarterly basis, starting from the quarter in which the scheme commences investment activities, excluding investments made in accordance with second proviso to sub-regulation (1) of regulation 46, within one (1) month from the end of each quarter.]

(6) Any other material disclosure as considered suitable by the FME or the fiduciaries shall be informed to the investors immediately.

(7) The FME and the fiduciaries shall comply with the disclosure requirements as specified above or as may be specified by the Authority.

Borrowing

49. A retail scheme shall not borrow except to meet temporary liquidity needs for the purpose of redemption:

Provided that the retail scheme shall not borrow more than twenty per cent. (20%) of the AUM of the scheme and the duration of such a borrowing shall not exceed six (6) months.

Valuation

50. (1) The FME and fiduciaries shall ensure compliance with the investment valuation norms as specified in the **Sixth Schedule**.

(2) ³⁷[For the purpose of computation and disclosure of NAV to the investors and in line with] the investment valuation norms, the assets of the scheme shall be valued by an independent service provider such as a fund administrator, a custodian or a credit rating agency, registered with the Authority, or a valuer registered with Insolvency and Bankruptcy Board of India or such other person as may be specified by the Authority:

³⁸[*Provided* that this requirement shall not apply to the investments made by a scheme in other scheme(s), that are regulated by a financial sector regulator, directly or through a manager, in IFSC, India or foreign jurisdiction(s), and valued by any independent entity.]

Computation of NAV

51. (1) ³⁹[The FME shall ensure that the NAV of each retail scheme is computed on a daily basis in

³⁷ Substituted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026. Prior to the substitution, it read as "In line with"

³⁸ Substituted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026. Prior to the substitution, it read as:-

"Provided that the above requirement shall not apply in case of a fund of funds scheme that invest in scheme(s), regulated by a financial sector regulator, directly or through a manager, in IFSC or India or foreign jurisdiction(s), which are valued by any independent entity."

³⁹ Substituted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026. Prior to the substitution, it read as-

case of an open-ended scheme, and on a weekly basis in case of a close-ended scheme, starting from the day or week, as the case may be, in which the scheme commences investment activities, excluding investments made in accordance with second proviso to sub-regulation (1) of regulation 46, in such manner as specified by the Authority.]

(2) The procedure and methodology for calculating the NAV should be fully documented, and such documentation should be regularly verified and amended.

Contribution by the FME in the scheme

52. (1) Under a retail scheme, the FME or its associate shall invest at least one per cent. (1%) of the AUM of the retail scheme or USD 200,000, whichever is lower:

⁴⁰[*Provided that the contribution by the FME or its associate shall not be mandatory in case of –*

- (i) relocated schemes established or incorporated or registered outside India to IFSC;
- (ii) a fund of funds scheme investing in scheme(s) with similar requirements, wherein the scheme in IFSC does not involve active management by the FME and the details of inter-se allocation of the underlying scheme(s) are disclosed in the offer document of the scheme;
- (iii) an index scheme; or
- (iv) a fund of funds scheme investing only in index schemes or passive ETFs, and the details of inter-se allocation of the underlying scheme(s) are disclosed in the offer document of the scheme.]

(2) The said contribution shall be made by the FME or its associate within forty-five (45) days and be maintained on ongoing basis:

Provided that the period of forty-five (45) days may be extended subject to the satisfaction of the Authority.

(3) The said contribution, if brought in by FME, may be taken into consideration for the purpose of net-worth requirements as ⁴¹[specified under these regulations].

“The FME shall ensure that the NAV of each retail scheme is computed on a daily basis in case of an open-ended scheme and on a weekly basis in case of a close-ended scheme; in such manner as specified by the Authority.”

⁴⁰ Substituted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026. Prior to the substitution, it read as--

“Provided that the contribution by the FME or its associate shall not be mandatory in case of relocated funds /schemes established or incorporated or registered outside India to IFSC.

Provided further that the contribution by the FME or its associate shall not be mandatory in case of a fund of funds scheme investing in scheme(s) which has similar requirements.”

⁴¹ Substituted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026. Prior to the substitution, it read as “detailed under the Chapter II”

PART D: SPECIAL SITUATION FUNDS

53. A Registered FME may launch a special situation fund in accordance with the provisions of this Chapter.

Definitions

54. For the purpose of this part of Chapter III,

(1) “special situation asset” includes:-

- (a) stressed loan available for acquisition in terms of Clause 58 of Master Direction – Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021, as amended from time to time or as part of a resolution plan approved under the Insolvency and Bankruptcy Code, 2016 or in terms of any other policy of the Reserve Bank of India or IFSCA or Government of India issued in this regard from time to time;
- (b) security receipts issued by an Asset Reconstruction Company registered with the Reserve Bank of India;
- (c) securities of investee companies:
 - (i) whose stressed loans are available for acquisition in terms of Clause 58 of the Master Direction – Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021, as amended from time to time, a resolution plan approved under the Insolvency and Bankruptcy Code, 2016, or any other policy of the Reserve Bank of India or IFSCA or Government of India issued in this regard from time to time;
 - (ii) against whose borrowings, security receipts have been issued by an Asset Reconstruction Company registered with the Reserve Bank of India;
 - (iii) whose borrowings are subject to corporate insolvency resolution process under Chapter II of the Insolvency and Bankruptcy Code, 2016;
 - (iv) who have disclosed all the defaults relating to the payment of interest or repayment of principal amount on loans from banks / financial institutions/ Systemically Important Non-Deposit taking Non-Banking Financial Companies/ Deposit taking Non-Banking Financial Companies and /or listed or unlisted debt securities and such payment default is continuing for a period of at least ninety (90) calendar days after the occurrence of such default:
Provided that in case of sub-clauses (iii) and (iv), the credit rating of the financial instruments or credit instruments or borrowings of the company has been downgraded to “D” or equivalent;
- (d) Any other asset as may be specified by the Authority from time to time.

(2) “special situation fund” means a scheme that invests in special situation assets in accordance with its investment objectives and may act as a resolution applicant under the Insolvency and Bankruptcy Code, 2016.

Eligible FMEs and Filing of Placement Memorandum

55. (1) A Registered FME may launch a special situation fund through a private placement memorandum by filing the memorandum with the Authority along with the applicable fees in the manner as specified by the Authority

(2) The filing of scheme documents for restricted schemes shall be under a green channel whereby the schemes filed shall be open for subscription by investors immediately upon communication from the Authority to the FME that the placement memorandum has been taken on record:

Provided that the Authority may, at any stage, offer its comments which shall suitably be incorporated by the FME in the placement memorandum.

Explanation.- For the purpose of the Income Tax Act, 1961, the communication received by the FME from the Authority 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 (12) months from the date of communication from the Authority, 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 as specified under sub-regulation (1) of regulation 58:

Provided also that if a FME fails to achieve the minimum size of corpus as specified under sub-regulation (1) of regulation 58 within the specified time, it shall have the one-time option to extend the validity of the placement memorandum for a further period of 6 months by paying 50 per cent. (50%) of the fee as applicable for filing of a fresh scheme.

(4) The FME shall ensure that any material changes in the placement memorandum are informed to the Authority immediately.

Nature and Structure of Scheme

56. (1) A special situation fund shall only be a close-ended fund.

(2) The tenure of a special situation fund, which shall not be less than three (3) years, shall be disclosed in the placement memorandum.

(2) The tenure of a special situation fund may be extended up to two (2) years, subject to approval of two-thirds (2/3rd) of the investors by value of their investment in the scheme.

(3) Further extension to the tenure of a special situation fund beyond the two (2) years period shall be subject to express consent of the willing investors and exit opportunity being made

available to the dissenting investors.

(3) A special situation fund shall be constituted in IFSC as a company or LLP or Trust or any other form as may be permitted by the Authority under the applicable laws of India.

Permissible Investments

57. A special situation fund shall invest only in special situation assets.

Scheme corpus, eligible investors, investment conditions

58. (1) A special situation fund shall have the minimum corpus as may be specified by the Authority.

(2) A special situation fund shall accept such eligible investors as may be specified by the Authority.

(3) A special situation fund shall comply with such additional investment conditions as may be specified by the Authority.

Borrowing

59. A special situation fund shall not borrow or engage in any leveraging activities other than to meet day-to-day operational requirements.

Other requirements

60. (1) The norms regarding disclosures, valuation, computation of NAV, contribution by the FME in the scheme as applicable to a close ended restricted scheme under **Chapter III** of these regulations shall apply to a special situation fund.

(2) A special situation fund shall be considered as a category under restricted schemes and accordingly a special situation fund shall additionally comply with such requirements as may be specified by the Authority for close ended restricted schemes from time to time.

CHAPTER IV

EXCHANGE TRADED FUNDS (ETFs)

Exchange Traded Funds

61. (1) Only Registered FMEs (Retail) may launch Exchange Traded Funds (ETFs) by filing the draft offer document with the Authority along with the applicable fees, at least twenty-one (21) working days before its launch.

(2) The validity of the offer document for the launch of the ETF shall be twelve (12) months from the date of communication from the Authority to the FME that the offer document has been taken on record.

Explanation.- For the purpose of the Income Tax Act, 1961, the communication received by the FME from the Authority that the offer document has been taken on record, shall be construed as Certificate of Registration.

(3) The FME shall ensure that the comments of the Authority are duly incorporated in the offer document prior to launch of the ETF.

(4) The FME shall ensure that any material changes from the information provided in the draft offer document are informed to the Authority immediately.

(5) ETF shall be mandatorily listed and traded on a recognised stock exchange and shall include:

- (a) Equity Index based ETFs;
- (b) Debt Index based ETFs;
- (c) Commodity based ETFs;
- (d) Hybrid ETFs (investing in 2 or more asset class);
- (e) Actively Managed ETFs;
- (f) Any other ETFs subject to approval of the concerned recognised stock exchange and the Authority.

(6) No offer document of an ETF shall be filed with the Authority unless it has been approved by the fiduciaries:

Provided that in case of ETFs falling under clauses (e) and (f) of sub-regulation (5) above, prior approval of recognised stock exchange(s) where such ETF is intended to be listed, shall be obtained.

(7) An ETF in IFSC shall use the identifier 'IFSC ETF' which identifies it as an ETF listed and traded on recognised stock exchanges, and shall be used at all places including in its name, offer document, and all advertising material.

Equity Index based ETF

62. (1) A FME may launch an ETF replicating an Equity Index of IFSC or India or foreign jurisdiction.

- (2) An Equity Index based ETF that seeks to replicate a particular index shall ensure that such index complies with the following norms:-
- (a) The index shall have a minimum of ten (10) stocks as its constituents;
 - (b) For a sectoral/ thematic index, no single stock shall have more than thirty-five per cent. (35%) weightage in the index; and
 - (c) For other than sectoral/ thematic indices, no single stock shall have more than twenty-five per cent. (25%) weightage in the index.
- (3) Equity Index based ETF shall replicate the underlying index to the extent of at least ninety-five per cent. (95%) of total assets.

Debt Index based ETF

63. (1) The FME may launch an ETF replicating a Debt Index of IFSC or India or foreign jurisdiction.
- (2) A debt index-based fund that seeks to replicate a particular index shall ensure that such index complies with the following norms:-
- (a) The index shall have a minimum five (5) issuers as its constituents;
 - (b) No single issuer shall have more than twenty-five per cent. (25%) weightage in the index; and
 - (c) The rating of the constituents of the index shall be investment grade:
- Provided* that the conditions specified in clauses (a) and (b) shall not apply to index-based funds investing in Government securities.
- (3) Debt index-based ETF shall replicate the underlying index to the extent of at least ninety per cent. (90 %) of total assets:
- Provided* that if the ETF is not able to replicate the index due to non-availability of issuances of the issuer forming part of the index, the FME may consider such deviations that would lead to least possible tracking error and shall be in line with the disclosures in the offer document.

Commodity based ETFs

64. (1) Commodity based ETFs shall invest at least ninety per cent. (90%) in the specified commodity or commodity related security / instrument as specified by the Authority.
- (2) For launching a commodity based ETF, the FME shall ensure that a KMP with at least than five (5) years of experience in dealing with commodities, is designated as a Fund Manager.

Gold ETF

65. (1) In case of a Gold ETF, at least ninety per cent. (90%) of the AUM shall be invested in Gold or bullion instruments such as Bullion Depository Receipts with underlying Gold, and Exchange Traded Commodity Derivatives (ETCD) with gold as the underlying:

Provided that the exposure to ETCDs having gold as the underlying shall not exceed ten per cent. (10%) of AUM of the scheme:

Provided further that the limit of ten per cent. (10%) shall not be applicable to Gold ETFs where the intention is to take delivery of the physical Gold and not to rollover its position to next contract cycle.

(2) Gold ETFs shall be benchmarked against the price of spot Gold at the recognised stock exchange or any other benchmark price as may be specified by the Authority and FMEs shall endeavor to have tracking error as low as possible.

(3) The FMEs shall ensure that for investment in physical Gold, the Gold should be supplied by a refiner certified for complying with OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

(4) Physical Gold shall be stored with a vault registered with the Authority.

(5) Physical verification of gold underlying the Gold ETF units shall be carried out by an independent agency capable of undertaking such activities and report to the FME and fiduciaries on half yearly basis and not later than two months from the end of the half year.

Silver ETF

66. (1) In case of a Silver ETF, at least ninety per cent. (90%) of the AUM should be invested in Silver or bullion instruments such as Bullion Depository Receipts with underlying Silver and Exchange Traded Commodity Derivatives (ETCD) with silver as the underlying:

Provided that the exposure to ETCDs having silver as the underlying shall not exceed ten per cent. (10%) of AUM of the scheme:

Provided further the limit of ten per cent. (10%) shall not be applicable to Silver ETFs where the intention is to take delivery of the physical silver and not to rollover its position to next contract cycle.

(2) Silver ETFs shall be benchmarked against the price of spot Silver at a recognised stock exchange or any other benchmark price as may be specified by the Authority and the FMEs shall endeavor to have tracking error as low as possible.

(3) The FMEs shall ensure that for investment in physical Silver, the silver should have supplied by a refiner certified for complying with OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

(4) Physical Silver shall be stored with a vault registered with the Authority.

(5) Physical verification of silver underlying the Silver ETF units shall be carried out by an independent agency capable of undertaking such activities and report to the FME and fiduciaries on half yearly basis and not later than two months from the end of the half year.

Actively Managed ETFs

67. (1) Actively managed ETFs are such ETFs in which the FME has discretion over the composition of portfolio, in accordance with the stated investment objectives and policies.
- (2) An actively managed ETF shall disclose in its offer document and in all advertising material that it is an actively managed ETF, and shall disclose how it will meet the stated investment objectives including, where applicable, its intention to outperform an index.
- (3) Draft offer document for Actively Managed ETFs shall be filed with the recognised stock exchange(s) where such ETF is intended to be listed and also with the Authority.

Market Makers

68. (1) A FME shall appoint a market maker who shall be responsible for ensuring liquidity in the trading of ETF by way of providing two-way quotes.
- (2) Market Makers shall be permitted to create units and seek redemptions directly from the FME.
- (3) Recognised Stock Exchange(s) may provide a simplified framework for authorisation of intermediaries registered with the Authority as market makers.
- (4) Recognised Stock Exchange(s) shall also provide detailed rules for market makers viz. maximum spread, minimum quantity, if any, incentives, margining, net-settlement etc.

Computation of NAV

69. (1) A FME shall compute the NAV of each ETF on a daily basis and publish the same on its website and inform the same to the recognised stock exchange where it is listed for disclosure on its website.
- (2) The procedure and methodology for calculating the NAV should be fully documented, and such documentation should be regularly verified and amended, if required.

Redemption of ETFs to Investors

70. Investors other than market makers may also directly approach the FME for redemption of ETFs, and no exit load shall be charged if:
- (a) Traded price (based on closing price) of the ETF units is at a discount of more than five per cent. (5%) of NAV for continuous thirty (30) trading days; or
 - (b) No quotes are available on the recognised stock exchange for five (5) consecutive trading days; or
 - (c) Total bid size on the recognised stock exchange is less than higher of one per cent. (1%) of the total units valued at NAV in ETF or USD 2,500 in value, averaged over a period of seven (7) consecutive trading days.

Disclosures to investors

71. (1) The offer document for ETFs shall clearly include all disclosures which are material for investors to make an informed decision regarding investing in such ETFs.
- (2) The disclosures in the offer document shall *inter-alia* include investment objective, the targeted investors, investment style or strategy, investment methodology, proposed fees and expenses, risk management practices, KMPs of the FME and other relevant details of the FME and the ETF.
- (3) Any material deviation or alteration to the fund strategy should be made with the consent of at least two-thirds (2/3rd) of investors by value.
- (4) The FME shall ensure that the NAV is disclosed to the investors on a daily basis and the manner of such disclosure shall be detailed in the offer document.
- (5) The FME shall ensure that the portfolio under the ETF is disclosed to the investors and the manner of such disclosure shall be detailed in the offer document.
- (6) Any other material disclosure as considered suitable by the FME or the fiduciaries shall be informed to the investors immediately.
- (7) The FME and the fiduciaries shall ensure compliance with the disclosure requirements as specified above or as may be specified by the Authority.

CHAPTER V
ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

72. (1) A FME managing AUM above USD 3 billion ⁴²[, excluding the AUM of fund of funds schemes,] as at the close of a financial year or any other threshold of AUM as may be specified by the Authority, shall:
- (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; and
 - (d) comply with any other sustainability related requirements as may be specified by the Authority.
- (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 Authority.
- (3) All scheme documents filed by FME with the Authority under **Chapter III** shall disclose whether sustainability related risks are incorporated in the decision making along with the details of the same:
- Provided* that in case where the sustainability related risks are not incorporated in the decision making, a negative statement shall be included.

⁴² Inserted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026.

CHAPTER VI
OTHER FUND MANAGEMENT ACTIVITIES
PART A: PORTFOLIO MANAGEMENT SERVICES

Eligible FME and Clients

73. (1) A Registered FME may offer Portfolio Management Services to its clients in accordance with these regulations.
- (2) A FME in its capacity as a portfolio manager may have the following categories as clients:
- (a) a person resident outside India;
 - (b) a non-resident Indian;
 - (c) a non-individual resident in India who is eligible under FEMA to invest funds offshore, to the extent of outward investment permitted; and
 - (d) an individual resident in India who is eligible under FEMA to invest funds offshore, to the extent allowed under the liberalised remittance scheme (LRS) of Reserve Bank of India.
- (3) A FME operating as a portfolio manager in an IFSC shall be permitted to invest in securities and financial products in an IFSC, India or Foreign Jurisdiction:
- Provided* that in case of a discretionary portfolio management service, it shall invest in the securities listed or to be listed or traded on the stock exchanges, money market instruments, units of investment schemes and other financial products as specified by the Authority from time to time.

Disclosures

74. (1) The FME shall provide a disclosure document to the client, prior to entering into a portfolio management agreement with the client.
- (2) The FME shall ensure that a copy of disclosure document is available on its website.
- (3) The disclosure document referred to in sub-regulation (1) shall *inter-alia* contain details pertaining to the services offered, risk factors, client representation, financial performance, performance of portfolio manager, auditor observations, nature of expenses, taxation, investor grievance redressal mechanism and litigations by the regulatory authorities against the portfolio manager and its principal officers, directors/ partners/ designated partners and key managerial personnel.

Portfolio Management Agreement.

75. (1) A FME shall enter into a written agreement with the portfolio management client that clearly defines the *inter se* relationship and sets out their mutual rights, liabilities and obligations relating to management of portfolio including details pertaining to investment objectives, risk factors, terms of fees, period of the contract, etc.

(2) Notwithstanding anything contained in the agreement between the FME and the client, the funds or securities can be withdrawn by the client before the maturity of the contract under the following circumstances, namely-

- (a) voluntary or compulsory termination of portfolio management services by the FME or the client;
- (b) suspension or cancellation of the certificate of registration of the FME by the Authority; or
- (c) bankruptcy or liquidation of the FME.

Report to the Client

76. (1) The FME shall periodically furnish a report to the portfolio management client in terms of the agreement with the client which shall *inter-alia* contain details relating to composition and value of the portfolio, transactions undertaken during the period of the report, beneficial interest received during the period of the report, expenses incurred in managing the portfolio and details of risk relating to the securities recommended by the portfolio manager for investment or disinvestment.
- (2) The report referred to in sub-regulation (1) may be made available online with restricted access to each client.

Dealing with Client Funds

77. (1) A FME shall not accept from the client, funds or securities worth less than USD 75,000 in case of a portfolio management agreement:
- Provided* that the minimum investment threshold shall not apply to an accredited investor.
- (2) The funds of a client availing portfolio management services (other than those availing only advisory services) may be maintained in-
- (a) a specific bank account of the FME in a Banking Unit;
 - (b) a specific bank account of the client in a Banking Unit, a bank in India or a Foreign Jurisdiction;
 - (c) a specific account of the client maintained with a regulated broker dealer in IFSC, or an equivalent entity in India or foreign jurisdiction; or
 - (d) any other manner as may be specified by the Authority.

Provided that when the funds are maintained in the specific bank account of a client, the FME operating as portfolio manager shall ensure that it is duly authorised to operate the said bank account either by itself or through a custodian and it shall provide the details of all such bank accounts including transactions carried out thereunder, to the Authority, whenever directed to do so:

Provided further that when the funds of the clients are in a specific account maintained with a regulated broker dealer, the FME operating as portfolio manager shall ensure that -

- (i) adequate controls are in place to ensure requirement specified under sub-regulation (1) is complied with;
- (ii) it is duly authorised to operate the said account, and
- (iii) it shall provide the details of all such accounts including transactions carried out thereunder, to the Authority, whenever directed to do so.

(3) A FME shall segregate each portfolio management client's holding in securities in separate accounts:

Provided that this sub-regulation shall not apply if the investments of the clients are in jurisdictions permitting omnibus account structure. In such cases, FME shall ensure that the investment using omnibus structure is pursuant to prior consent of the clients; and adequate checks are in place to ensure that the clients' securities are earmarked separately.

(4) The funds received from the clients, investments or disinvestments, all the credits to the account of the client including interest, dividend, bonus or any other beneficial interest received on the investment and debit for expenses, if any, shall be properly reflected in the client's accounts.

(5) The FME shall act in a fiduciary capacity in respect of the client's funds and securities, and shall not derive any direct or indirect benefit out of the client's funds or securities.

(6) The FME shall not borrow funds or securities on behalf of the client.

Investment Restrictions

78. (1) The money or securities accepted by the FME shall be invested or managed in terms of the portfolio management agreement between the FME and the client.

(2) The FME shall not use the portfolio of its clients for investment in derivatives, unless express consent has been obtained from its clients.

(3) The FME shall not enter into any transaction for purchase or sale of any security which is periodically or ultimately settled otherwise than by actual delivery or transfer of security except the transactions in derivatives.

(4) A FME shall, ordinarily purchase or sell securities separately for each portfolio management client:

Provided that in the event of aggregation of purchases or sales for economy of scale, *inter se* allocation shall be done on a *pro rata* basis and at weighted average price of the 'day's transactions and the FME shall not keep any open position in respect of allocation of sales or purchases effected in a day.

(5) The FME shall segregate each client's funds and portfolio of securities and keep them separately from its own funds and securities and be responsible for safekeeping of clients' funds and securities.

(6) The FME shall not hold the securities belonging to the portfolio account in its own name on behalf of its clients either by virtue of contract with clients or otherwise:

Provided that if the investments of the clients are in jurisdictions permitting omnibus account structure such restriction shall not apply:

Provided further that in case of investments made by the FME through omnibus account structure, it shall ensure that such investments are made subject to prior consent of the clients, and adequate checks are in place to ensure that the clients' securities are earmarked separately.

(7) The FME operating as a portfolio manager, except those providing only advisory services, shall appoint a custodian in respect of securities managed or administered by it.

General Obligations

79. (1) The FME shall charge an agreed fee from the clients for rendering portfolio management services without guaranteeing or assuring, either directly or indirectly, any return and the fee so charged may be a fixed fee or a return-based fee or a combination of both.

(2) The FME in its capacity as a discretionary portfolio manager shall individually and independently manage the funds of the client in accordance with the needs of the client, in a manner which does not partake the character of a retail fund, whereas a non-discretionary portfolio manager shall manage the funds of the client in accordance with the directions of the client.

(3) The FME shall ensure that any person or entity involved in the distribution of its services is carrying out the distribution activities in compliance with these regulations and the circulars and directions issued thereunder by the Authority from time to time.

(4) The FME shall report its performance uniformly in the disclosures to the Authority, advertising material, reports to the clients and on its website.

(5) The portfolio accounts managed and administered by the FME in its capacity as a portfolio manager shall be audited annually and a copy of the certificate shall be given to the client.

Advisory Services

80. A FME as part of its portfolio management services shall enter into an agreement with prospective clients for providing advisory services, provided:

- (a) ⁴³[it complies with regulation 34 of the IFSCA (Capital Market Intermediaries) Regulations, 2025;]
- (b) it complies with the code of conduct under the ⁴⁴[IFSCA (Capital Market Intermediaries) Regulations, 2025]; and
- (c) Advisory services are for a portfolio not less than USD 75,000 in value.

Multi-Family Office

81. (1) A FME may also provide services to multi-family office under a portfolio management agreement as detailed in this Chapter.
- (2) The Authority may specify additional conditions, additional permissible investment, etc., for FMEs providing services to multi-family office under a portfolio management agreement.

⁴³ Substituted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026. Prior to the substitution, it read as-

“it complies with the Regulation 43 to 50 of the IFSCA (Capital Market Intermediaries) Regulations, 2021.”

⁴⁴ Substituted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026. Prior to the substitution, it read as-

“IFSCA (Capital Market Intermediaries) Regulations, 2021”

PART B: INVESTMENT TRUST

Investment Trust in IFSCs

82. (1) Any person from IFSC or India or a foreign jurisdiction, desirous to operate an Investment Trust in the IFSCs shall obtain registration with the Authority.
- (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 ; or
 - (c) Private placement whose units are not proposed to be listed on any recognised stock exchange.
- (3) The recognised stock exchange(s) shall specify the detailed framework which shall *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 shall comply with the requirements specified by the recognised stock exchange(s).

Definitions

83. (1) For the purpose of this Part of Chapter VI:
- (a) "eligible infrastructure project" means an infrastructure project which, prior to the date of its acquisition by, or transfer to, the InvIT, satisfies the following conditions,
 - (i) For PPP projects,—
 - (a) the Infrastructure Project which is completed and revenue generating project;
 - (b) the Infrastructure Project which has achieved commercial operations date (COD) and does not have the track record of revenue from operations for a period not less than one year; or
 - (c) the Infrastructure Project is a pre-COD project;
 - (ii) In non-PPP projects, the infrastructure project has received all the requisite approvals and certifications for commencing construction of the project;
 - (b) "governing board" means a group of members assigned by the LLP to act in a manner similar to the board of directors in case of a company;
 - (c) "holdco" or "holding company" means a company or LLP or any other structure as approved by the Authority-
 - (i) in which Investment Trust holds or proposes to hold controlling interest, and not less than fifty-one per cent. (51%) of the equity share capital or interest, and which in turn has made investments in other SPV(s), which ultimately holds the infrastructure assets or property(ies), as the case may be;

- (ii) which is not engaged in an activity other than holding of the underlying SPV(s), real estate/properties or infrastructure projects, as the case may be, and any other activities pertaining to and incidental to such holdings;
- (d) “Investment Trust” means a REIT or an InvIT, as the case may be;
- (e) “investment management agreement” means an agreement between the trustee and the investment manager which lays down the roles and responsibilities of the investment manager towards the Investment Trust;
- (f) “investment manager” means a Fund Management Entity registered under these regulations which manages assets and investments of the Investment Trust and undertakes activities of the Investment Trust;
- (g) “InvIT” or 'Infrastructure Investment Trust' means the trust registered as such under these regulations;
- (h) "InvIT assets" means assets owned by the InvIT, whether directly or through a holdco and/or SPV, and includes all rights, interests and benefits arising from and incidental to ownership of such assets;
- (i) “parties to the Investment Trust” includes the sponsor(s), investment manager, trustee and project manager(s), if applicable;
- (j) “PPP project” means an infrastructure project undertaken on a Public- Private Partnership basis;
- (k) “pre-COD project” means an infrastructure project:
 - i. which has not achieved commercial operation date as defined under the relevant project agreements including the concession agreement, power purchase agreement or any other agreement of a similar nature entered into in relation to the operation of a project or any agreement entered into with the lenders; and
 - ii. which has,—
 - a. achieved completion of at least fifty per cent. (50%) of the construction of the infrastructure project as certified by an independent engineer of such project; or
 - b. expended not less than fifty per cent. (50%) of the total capital cost set forth in the financial package of the relevant project agreement;
- (l) “project implementation agreement” or “project management agreement” means an agreement between the project manager, the concessionaire SPV and the trustee which sets out obligations of the project manager with respect to execution of the project and/or management:

Provided that in case of PPP projects, such obligations shall be in addition to the responsibilities as under the concession agreement or any such agreement entered into with the concessioning authority;

- (m) “project manager” means a company or LLP or a body corporate designated as the project manager by the InvIT, responsible for achieving execution /management of the project and in case of PPP projects, shall mean the entity responsible for such execution and achievement of project milestones in accordance with the concession agreement or any other relevant project document;
- (n) “real estate related assets” shall mean listed or unlisted debt securities and listed shares of or issued by property corporations, mortgage-backed securities, other property funds, and assets incidental to the ownership of real estate;
- (o) “REIT” or "Real Estate Investment Trust" means a trust registered as such under these regulations;
- (p) “REIT assets” means real estate assets and any other assets held by the REIT, on a freehold or leasehold basis, whether directly or through a holdco and/or a special purpose vehicle;
- (q) "special purpose vehicle" or "SPV " means any company or LLP or any other structure as approved by the Authority, -
 - (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. (51%) of the equity share capital or interest:
Provided that this clause shall 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. (80%) of its assets directly in infrastructure projects or properties and does not invest in other SPVs; and
 - (iii) which is not engaged in an activity other than holding and developing properties or infrastructure projects, as the case may be, and activities pertaining to and incidental to such holding or development;
- (r) “sponsor” means a company or LLP or body corporate which sets up the Investment Trust and is designated as such at the time of application;
- (s) “sponsor group” includes:
 - (i) the sponsor(s);
 - (ii) entities or person(s) which are controlled by the sponsor(s);
 - (iii) entities or person(s) who control sponsor(s);
 - (iv) entities or person(s) which are controlled by person(s) as referred at sub-clause (ii).
- (t) “trustee” means a person who holds the assets of Investment Trust in trust for the benefit of the investors;
- (u) “valuer” means a person who is authorised to practice as a valuer under the law of the state or country where the valuation takes place;

Registration

84. (1) An application for the grant of certificate of registration as Investment Trust shall be made, by the sponsor on behalf of the trust to the Authority in the format specified by the recognised stock exchange(s) or the Authority, and shall be accompanied by a non-refundable fee as may be specified by the Authority.
- (2) The Authority may, 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 Authority may require the applicant to furnish any such information or clarification as may be required by it for the purpose of processing of the application.
- (4) The Authority, if it so desires, may require the applicant or any authorized representative to appear before the Authority for personal representation in connection with the grant of certificate of registration.
- (5) The Authority, 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.

Trust

85. The following are the eligibility conditions for the Investment trust:
- (a) The trust shall 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, as the case may be) and includes responsibilities of the Trustee in accordance with the requirements specified in these regulations;
 - (c) persons have been designated as sponsor(s), investment manager and trustee and all such persons are separate entities.

Sponsor

86. The following are the eligibility conditions for a sponsor of an Investment Trust:
- (a) Each sponsor shall hold or propose to hold not less than five per cent. (5%) of the number of units of the Investment Trust on post-initial offer basis:
Provided that in case the holding goes below five per cent. (5%), the sponsor shall comply with the requirement within a time period of one year from the date of such decline;
 - (b) Each sponsor shall 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:
Provided that in case of REIT, each sponsor shall maintain a net worth of not less than

USD 3 million and the sponsor(s), on a collective basis, shall maintain a net worth of not less than USD 15 million;

- (c) The sponsor(s) or its associate(s) shall have a sound track record in development of real estate or infrastructure or fund management in the infrastructure / real estate sector.

Explanation.- For the purpose of this sub-regulation, '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.

Investment Manager

87. (1) In case of private placement, any Registered FME shall be eligible to be appointed as Investment Manager.

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

Trustee

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

- (a) The entity shall be authorised / registered as a trustee with the Authority or any other securities market regulator and shall 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 Authority and the recognised stock exchange(s).

Adherence to the Fit and Proper criteria and other responsibilities

89. (1) The registration shall be granted only if the Investment Trust and parties to the Investment Trust are fit and proper persons as specified under these regulations.

- (2) The Parties to an Investment Trust shall perform their roles and discharge their responsibilities as specified in the **Fourth Schedule**.

Currency

90. The units of the Investment Trust shall only be in a freely convertible foreign currency.

Offer of units of Investment Trust

91. (1) No initial offer of units by an Investment Trust shall be made unless,–

- (a) the Investment Trust is registered with the Authority;
- (b) the value of assets of Investment Trust is not less than USD 75 million; and
- (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 shall be as per the below table:

<i>Post Issue Capital</i>	<i>Minimum no./ value of units to be offered</i>
Less than USD 240 million	At least twenty-five per cent. (25%) 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. (10%) of the total outstanding units of the Investment Trust

Provided that 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.

Private Placement with listing

92. 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) shall be subject to compliance with the following:

- (a) The Investment Trust shall obtain in-principle approval from the recognised stock exchange(s):

Provided that the in-principle approval shall be valid for a period not greater than six (6) months from the date of its receipt from the recognised stock exchange.

- (b) The Investment Trust, through the Investment Manager or Investment Banker, shall file a placement memorandum with the Authority along with the applicable fee at least five (5) working days prior to opening of the issue:

Provided that such opening of the issue shall not be at a date later than six (6) months from the receipt of in-principle approval for listing, from recognised stock exchange(s).

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

Provided that 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 shall raise funds from at least two (2) and not more than one thousand (1000) investors.
- (e) The Investment Trust, through the Investment Manager, shall file the final placement memorandum with the Authority within a period of ten (10) working days from the date of listing of the units.

Private Placement without listing

93. 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), shall be subject to compliance with the following:
- (a) The Investment Trust shall file a draft placement memorandum with the Authority in the manner as specified by the Authority, along with the applicable fee, at least five (5) working days prior to opening of the issue:
Provided that such opening of the issue shall not be at a date later than three (3) months from the date of communication from the Authority that the placement memorandum has been taken on record.
 - (b) The Investment Trust shall raise funds from investors investing at least USD 250,000 or accredited investors.
 - (c) The Investment Trust shall raise funds from not more than fifty (50) investors.
 - (d) The Investment Trust shall file the final placement memorandum with the Authority within a period of ten (10) working days from the date of allotment of the units to the investors.

Public Issues

94. The fund raising by an Investment Trust by way of public issue, shall be subject to compliance with the following:
- (a) The Investment Trust shall raise funds by way of initial public offer and any subsequent issue of units may be by way of follow-on offer, preferential allotment, qualified institutional placement, rights issue, bonus issue, offer for sale or any other mechanism and in such manner as may be specified by the Authority.
 - (b) The Investment Trust, through the Investment Manager or an investment banker appointed by it, shall file a draft offer document along with the applicable fee, not less than thirty (30) working days before filing the offer document with the recognised stock exchange and the Authority.
 - (c) The draft offer document filed with the Authority shall be made public for comments, if any, by hosting it on the websites of the Authority, recognised stock exchange(s) and Investment Manager, investment bankers associated with the issue, for a period of not less than fourteen (14) days.

- (d) The draft offer document and/ or offer document shall be accompanied by a due diligence certificate signed by the investment manager or investment banker, as the case may be.
- (e) The Authority may communicate its observations to the investment manager or investment banker within thirty (30) working days from the filing of the offer document or twenty-one (21) working days from the date of receipt of satisfactory reply from the investment manager or investment banker on the queries or clarification, if any, sought by the Authority, whichever is later.
- (f) The investment manager or investment banker shall ensure that all comments received from the Authority on the draft offer document are suitably incorporated prior to the filing of the offer document with the recognised stock exchanges.
- (g) The offer document shall be filed with the recognised stock exchange(s) and the Authority not less than five (5) working days before opening of the offer.
- (h) The initial offer or follow-on offer or rights issue shall be made by the Investment Trust within a period of not more than one (1) year from the date of issuance of observations by the Authority:

Provided that if the initial offer or follow-on offer or rights issue is not made within the specified time period, a fresh draft offer document shall be filed.

- (i) The Investment Trust may invite for subscriptions and allot units to investors, subject to the applicable investment guidelines and permissions as may be applicable in that jurisdiction.
- (j) The initial offer and follow-on offer shall not be open for subscription for a period more than thirty (30) days.
- (k) In case of over-subscriptions, the Investment Trust shall allot units to the applicants on a proportionate basis rounded off to the nearest integer, subject to minimum subscription amount per subscriber.
- (l) The Investment Trust shall allot units or refund application money, as the case may be, within twelve (12) working days from the date of closing of the issue.
- (m) The Investment Trust shall issue units only in dematerialized form to all the applicants.
- (n) The price of Investment Trust units issued by way of public issue shall be determined through the book building process or in accordance with the circulars or guidelines issued by the Authority or the recognised stock exchange(s).
- (o) The Investment Trust shall refund money, -
 - i. to all applicants in case it fails to collect subscription amount of exceeding ninety per cent. (90%) of the fresh issue size as specified in the offer document;

- ii. to applicants to the extent of oversubscription in case the money received is in excess of the extent of over-subscription as specified in the offer document:
Provided that right to retain such over subscription cannot exceed twenty-five per cent. (25%) of the issue size:
Provided further that the offer document shall contain adequate disclosures towards the utilisation of such oversubscription proceeds, if any, and such proceeds retained on account of oversubscription shall not be utilised towards general purposes.
- (p) Units may be offered for sale to public if such units have been held by the existing unitholders for a period of at least one (1) year prior to the filing of draft offer document with the Authority:
Provided that the holding period for the equity shares, compulsorily convertible securities, from the date such securities are fully paid-up, or partnership interest in the holdco and/or SPV against which such units have been received shall be considered for the purpose of calculation of one (1) year period referred in this regulation:
Provided further that the compulsorily convertible securities, whose holding period has been included for the purpose of calculation for offer for sale, shall be converted to equity shares of the holdco or SPV, prior to filing of offer document.
- (q) The amount for general purposes, as mentioned in objects of the issue in the draft offer document filed with the Authority, shall not exceed ten per cent. (10%) of the amount raised by the Investment Trust by issuance of units.

Offer Document or Placement Memorandum

95. (1) The offer document or the placement memorandum of an Investment Trust shall contain material, true, correct and adequate disclosures to enable the investors to make an informed investment decision.
- (2) The offer document or placement memorandum shall include all information as required by the recognised stock exchange(s) and in such format as specified by the recognised stock exchange(s), including:
- (a) Introduction;
 - (b) Details of sponsor(s), Investment Manager, Project Manager, Trustee and other relevant parties;
 - (c) Brief background of the Investment Trust;
 - (d) Description of the assets under the Investment Trust;
 - (e) Business Details and Strategy;
 - (f) Leverage;
 - (g) Conflict of Interest and Related party transactions;
 - (h) Valuation;

- (i) Financials;
 - (j) Rights of Unit Holders;
 - (k) Title disclosures, litigations and regulatory actions;
 - (l) Risk Factors;
 - (m) Taxation.
- (3) The following documents shall be submitted to the Authority:
- (a) Valuation report along with the offer document/ placement memorandum;
 - (b) Project implementation/management agreement, along with draft offer document or the placement memorandum;
 - (c) Due diligence certificate along with the draft offer document and offer document/ placement memorandum; and
 - (d) In principle approval from the recognised stock exchange(s).
- (4) The placement memorandum of an Investment Trust whose units are not proposed to be listed on a recognised stock exchange shall contain all information, to the extent applicable, as specified for an Investment Trust whose units are proposed to be listed on a recognised stock exchange.

Continuous obligations and Disclosure Requirements

96. (1) The Investment Trust listed on a recognised stock exchange shall comply with the continuous obligations and disclosure requirements specified by the recognised stock exchange(s).
- (2) The following disclosure requirements shall be applicable on an Investment Trust whose units are not listed on a recognised stock exchange:
- (a) The investment manager of the Investment Trust shall submit annual report, half-yearly report and valuation report to the trustee and unit holders of the Investment Trust, either electronically or through physical copies;
 - (b) The annual and half yearly reports shall contain disclosures as specified for a privately placed Investment Trusts listed on a recognised stock exchange;
 - (c) The investment manager shall disclose to the trustee and unit holders any information having bearing on the operation or performance of the Investment Trust which includes but is not restricted to the following:–
 - i. acquisition or disposal of any infrastructure projects or property, directly or through holdco or SPV, value of which exceeds five per cent. (5%) of value of the assets of Investment Trust;
 - ii. additional issue of units by the Investment Trust;
 - iii. details of any credit rating obtained by the Investment Trust and any change in such rating;

- iv. any issue which requires approval of the unit holders;
- v. any legal proceedings which may have significant bearing on the functioning of the Investment Trust;
- vi. notices and results of meetings of unit holders,
- vii. any instance of non-compliance with these regulations and the circulars or guidelines issued thereunder including any breach of limits; and
- viii. any material issue that in the opinion of the investment manager or trustee needs to be disclosed to the unit holders.

Investment Conditions

97. (1) The Investment Trust may invest in infrastructure projects or properties, as the case may be, through SPVs, subject to the following:-

- (a) no other shareholder or partner of the SPV shall exercise any rights that prevents the Investment Trust from complying with the regulatory requirements specified by Authority and recognised stock exchange(s), and an agreement has been entered into with such shareholders or partners to that effect prior to investment in the SPV:

Provided that the shareholders' agreement or partnership agreement shall provide for an appropriate mechanism for resolution of disputes between the Investment Trust and the other shareholders or partners in the SPV:

Provided further that the provisions specified by Authority and recognised stock exchange(s) shall prevail in case of inconsistencies between such agreement(s) and the obligations cast upon an Investment Trust by the Authority and recognised stock exchange(s).

- (b) in case the SPV is a company or LLP, the investment manager shall in consultation with the trustee appoint majority of the board of directors or governing board of such SPVs as applicable:

Provided that in case of a REIT, the investment manager shall in consultation with the trustee, appoint at least such number of nominees on the board of directors or the governing board of such SPVs, which is in proportion to the shareholding or holding interest of the REIT in the SPV, as applicable;

- (c) the investment manager shall ensure that in every meeting, including annual general meeting of the SPV, the vote of the Investment Trust is exercised.

(2) The Investment Trust may invest in infrastructure projects or properties, as the case may be, through holdco, subject to the following:

- (a) the ultimate holding interest of the Investment Trust in the underlying SPV(s) is not less than twenty-six per cent (26%);

- (b) no other shareholder or partner of the holdco or the SPV(s) shall exercise any rights that prevent the Investment Trust, the holdco or the SPV(s) from complying with the regulatory requirements specified by Authority and recognised stock exchange(s) and an agreement has been entered into with such shareholders or partners to that effect prior to investment in the holdco and/or SPVs:

Provided that the shareholders' agreement or partnership agreement shall provide for an appropriate mechanism for resolution of disputes between the Investment Trust and the other shareholders or partners in the holdco and/or SPV;

Provided further in case of inconsistencies between such agreement(s) and the obligations cast upon an Investment Trust by the Authority and recognised stock exchange, such obligations shall prevail;

- (c) the investment manager shall, in consultation with the Trustee, appoint the majority of the Board of directors or governing board of the holdco and SPV(s):

Provided that in case of a REIT, the investment manager, in consultation with the trustee, shall appoint at least such number of nominees on the board of directors or the governing board of the holdco and/or the SPV, which are in proportion to the shareholding or holding interest of the REIT in the SPV; and

- (d) the investment manager shall ensure that in every meeting including, annual general meeting of the Holdco and SPV(s), the vote of the Investment Trust is exercised.

- (3) The investments by an Investment Trust may be in IFSC or India or in foreign jurisdiction:

Provided that where an investment is made in a foreign infrastructure project or real estate asset, as the case may be, the investment manager shall ensure that such investment complies with all the applicable laws and requirements in such jurisdictions.

- (4) An Investment Trust shall hold completed and rent generating property or an infrastructure asset, as the case may be, for a period not less than three years from the date of purchase of such asset, directly or through holdco and/or SPV:

Provided that this shall not apply to investment in securities of companies in infrastructure sector other than SPVs.

- (5) For any sale of property, whether by the Investment Trust or holdco or the SPV or for sale of shares or interest in the SPV by the holdco or Investment Trust exceeding ten per cent. (10%) of the value of Investment Trust assets in a financial year, the Investment manager shall obtain prior approval from the unit holders.

- (6) An Investment Trust shall not invest in units of other Investment Trust(s).

- (7) An Investment Trust shall not lend to any person other than the holdco or special purpose vehicle(s) in which the Investment Trust has invested:

Explanation.- Investments in debt securities shall not be considered as lending.

Additional conditions in case of InvIT

98. (1) The investment by an InvIT shall only be in holdco and/ or SPVs or infrastructure projects or securities in accordance with the requirements specified in these regulations and the investment strategy as detailed in the offer document:

Provided that in case of PPP projects, the InvIT shall mandatorily invest in the infrastructure projects through holdco and/ or SPV.

(2) In case of Public Issues of InvIT:-

- (a) At least eighty per cent. (80%) of the value of the InvIT assets shall be invested, proportionate to the holding of the InvITs, in completed and revenue generating infrastructure projects.

Explanation I- If the investment has been made through a holdco and/ or SPV(s), only the portion of direct investments in completed and revenue generating projects by such holdco and/ or SPV(s) shall be considered under this clause, and the remaining portion shall be included in clause (b) of this sub-regulation.

Explanation II- If any project is implemented in stages, the part of the project which can be categorised as completed and revenue generating project shall be considered under this clause and the remaining portion shall be included under clause (b) of this sub-regulation;

- (b) Not more than twenty per cent. (20%) of value of the InvIT assets shall be invested in:
- (i) under-construction infrastructure projects, whether directly or through holdco and/ or SPVs:
Provided that the investment in such assets shall not exceed ten per cent. (10%) of the value of the InvIT assets;
 - (ii) listed or unlisted debt of companies or body corporate in infrastructure sector:
Provided that this investment shall not include any investment made in debt of the holdco and/ or SPV(s);
 - (iii) equity shares of listed companies which derive not less than eighty per cent. (80%) of their operating income from infrastructure sector;
 - (iv) government securities;
 - (v) securities issued by a supranational agency; and
 - (vi) money market instruments, liquid mutual funds or cash equivalents.

- (3) In respect of InvITs having raised funding through public issue, if the investment conditions are breached on account of market movements of the price of the underlying assets or securities, the investment manager shall inform the same to the trustee and ensure that the investment conditions as specified in these regulations are satisfied within six (6) months of such breach:

Provided that the period may be extended to one year subject to approval from investors.

(4) In case of private placement of InvIT:-

- (a) At least eighty per cent. (80%) of the value of the InvIT assets shall be invested in eligible infrastructure projects either directly or through holdcos or through SPVs;
- (b) Un-invested funds may be invested in:
 - (i) listed or unlisted debt of companies or body corporate in infrastructure sector:
Provided that this shall not include any investment made in debt of the holdco and/or SPV(s);
 - (ii) equity shares of listed companies which derive not less than eighty per cent. (80%) of their operating income from infrastructure sector;
 - (iii) government securities;
 - (iv) securities issued by a supranational agency; and
 - (v) money market instruments, liquid mutual funds or cash equivalents.

Additional conditions in case of REIT

99. (1) The investment by a REIT shall be either directly or through an SPV or through holdco.
- (2) A REIT shall invest only in the following:-
- (a) real estate, whether freehold or leasehold, in or outside IFSC;
 - (b) real estate related assets;
 - (c) listed or unlisted debt securities or listed shares of local or foreign non-property corporations;
 - (d) government securities;
 - (e) securities issued by a supranational agency; and
 - (f) cash and cash-equivalent items.
- (3) The investments in case of public offer should be in compliance with the following requirements:
- (a) at least seventy-five per cent. (75%) of the REIT assets should be invested in income-producing real estate;
 - (b) should not undertake property development activities, unless it intends to hold the developed property upon completion;
 - (c) should not invest in vacant land and mortgages except for mortgage-backed securities:
Provided that this requirement shall not apply to any land which is contiguous and extension of an existing project being implemented in stages;
 - (d) the total contract value of property development activities undertaken and investments in uncompleted property developments should not exceed ten per cent. (10%) of the REIT assets:

Provided that the total contract value of property development activities may exceed ten per cent. (10%) subject to a maximum of twenty five per cent. (25%) of the REIT assets only if:

- (i) the additional allowance of up to fifteen per cent. (15%) of the REIT assets is utilised solely for the redevelopment of an existing property that has been held by it for at least three (3) years and which the REIT will continue to hold for at least three (3) years after the completion of the redevelopment; and
 - (ii) it has obtained specific approval of the unit holders.
- (e) for investments in debt securities or listed shares of local or foreign non-property corporations, or government securities or securities issued by a supranational agency, or cash or cash-equivalent items, not more than five per cent. (5%) of the REIT assets can be invested in any one issuer's securities or any one manager's funds; and
- (f) should not derive more than ten per cent. (10%) of its revenue from sources other than:
- i. rental payments from the tenants of the real estate held by it, or
Explanation.- rental payments include income that is ancillary or incidental to the leasing of real estate such as income from use of signage space and advertising contributions by tenants;
 - ii. interest, dividends and other similar payments from permissible investments.

(4) The investment restrictions and requirements under clauses (d) and (e) of sub-regulation (3) are applicable at the time of entering into the transactions.

(5) If the investment conditions specified under clauses (a) and (f) of sub-regulation (3) are breached on account of market movements of the price of the underlying assets or securities or change in tenants or expiry of lease or sale of properties, the investment manager shall inform the same to the trustee and ensure that the conditions as specified in these regulations are satisfied within six (6) months of such breach:

Provided that the period may be extended by another six (6) months subject to approval from unit holders.

(6) The investments in case of private placement should be in compliance with the following requirements:-

- (a) At least eighty per cent. (80%) of the value of the REIT assets should be invested in eligible real estate properties either directly or through holdcos or through SPVs;
- (b) Un-invested funds may be invested in:
 - (i) listed or unlisted debt of companies or body corporate in real estate sector:
Provided that this shall not include any investment made in debt of the holdco and/or SPV(s);
 - (ii) equity shares of listed companies which derive not less than eighty per cent. (80%) of their operating income from real estate sector;

- (iii) government securities;
- (iv) securities issued by a supranational agency; and
- (v) money market instruments, liquid mutual funds or cash equivalents.

Distribution policy

100. (1) With respect to distributions made by the Investment Trust and the holdco and/or SPV,-
- (a) not less than ninety per cent. (90%) of net distributable cash flows of the SPV shall be distributed to the Investment Trust /holdco in proportion of its holding in the SPV;
 - (b) not less than ninety per cent. (90%) of net distributable cash flows of the Investment Trust shall be distributed to the unit holders;
 - (c) with regard to distribution of net distributable cash flows by the holdco to the Investment Trust, the following shall be complied:
 - (i) with respect to the cash flows received by the holdco from underlying SPVs, hundred per cent. (100%) of such cash flows received by the holdco shall be distributed to the Investment Trust; and
 - (ii) with respect to the cash flows generated by the holdco on its own, not less than ninety per cent. (90%) of such net distributable cash flows shall be distributed by the holdco to the Investment Trust.
 - (d) such distributions shall be declared and made not less than once every six (6) months in every financial year in case of publicly offered InvITs and shall be made not later than fifteen (15) days from the date of such declaration.
- (2) If any infrastructure asset or property, as the case may be, is sold by the Investment Trust or holdco or SPV or if the equity shares or interest in the holdco/ SPV are sold by the Investment Trust:
- (a) If the Investment Trust proposes to re-invest the sale proceeds into infrastructure asset or another property, as the case may be, it shall not be required to distribute any sales proceeds to the investors;
 - (b) If the Investment Trust proposes not to invest the sales proceeds into any other infrastructure asset or property, as the case may be, within a period of one (1) year, it shall be required to distribute the same in accordance with sub-regulation (1).

Borrowings and deferred payments

101. (1) The following provisions shall apply to an Investment Trust listed on a recognised stock exchange:
- (a) An Investment Trust whose units are listed on a recognised stock exchange may issue debt securities in the manner specified by the Authority:

Provided that such debt securities shall be listed on recognised stock exchange(s).

- (b) The aggregate consolidated borrowings and deferred payments of the Investment Trust, holdco and the SPV(s), net of cash and cash equivalents shall not exceed:
 - (i) seventy per cent. (70%) of the value of the InvIT assets; or
 - (ii) forty nine per cent. (49%) of the value of the REIT assets.
 - (c) If the aggregate consolidated borrowings and deferred payments of the Investment Trust, holdco and the SPV(s), net of cash and cash equivalents exceed twenty five per cent. (25%) of the value of the assets of Investment Trust, for any further borrowing,—
 - (i) up to forty nine per cent. (49%), the Investment Trust shall -
 - (a) obtain credit rating from a credit rating agency; and
 - (b) seek approval of unitholders.
 - (ii) above forty–nine per cent. (49%), an InvIT shall -
 - (a) obtain a credit rating of “AAA” or equivalent for its consolidated borrowing and the proposed borrowing, from a credit rating agency;
 - (b) utilize the funds only for acquisition or development of infrastructure projects;
 - (c) have a track record of at least six distributions, on a continuous basis, post listing, in the years preceding the financial year in which the enhanced borrowings are proposed to be made; and
 - (d) obtain prior approval of unitholders.
 - (d) If the conditions specified in the above sub-clauses are breached on account of market movements of the price of the underlying assets or securities, the investment manager shall inform the same to the trustee and ensure that the conditions are satisfied within six months of such breach.
- (2) An Investment Trust whose units are not listed on a recognised stock exchange may undertake borrowing to the extent permitted under the trust deed, after seeking approval from such number of investors as specified in the trust deed.

Valuation of assets

102. (1) A full valuation shall be conducted by the valuer at least once in every financial year:

Provided that such full valuation shall be conducted at the end of the financial year ending March 31st within two (2) months from the end of such year.

- (2) A half yearly valuation of the assets of Investment Trust shall be conducted by the valuer for the half-year ending on September 30 for incorporating any key changes in the previous six (6) months and such half yearly valuation report shall be prepared within one (1) month from the date of end of such half year:

Provided that in case the consolidated borrowings and deferred payments of an InvIT is above forty-nine per cent. (49%), the valuation of the assets of such InvIT shall be conducted by the valuer for quarter ending June, September and December, for incorporating any key changes in the previous quarter and such quarterly report shall be prepared within one month from the date of the end of such quarter.

(3) Valuation reports received by the investment manager shall be submitted to the recognised stock exchange(s) within fifteen (15) days from the receipt of such valuation reports, in respect of an InvIT whose units are listed on a recognised stock exchange.

(4) Prior to any issue of units by publicly offered Investment Trust other than bonus issue, the valuer shall undertake full valuation of all the assets and include the same in the Offer Document: *Provided* that such valuation report shall not be more than six months old at the time of such offer:

Provided further that this shall not apply in cases where full valuation has been undertaken not more than six (6) months prior to such issue and no material changes have occurred thereafter.

(5) For any transaction of purchase or sale of infrastructure projects or properties, whether directly or through holdco and/or SPVs, for publicly offered Investment Trusts, a full valuation of the specific project shall be undertaken by the valuer; if,–

- (i) in case of a purchase transaction, the asset is proposed to be purchased at a value greater than one hundred and ten per cent. (110%) of the value of the asset as assessed by the valuer;
- (ii) in case of a sale transaction, the asset is proposed to be sold at a value less than ninety per cent. (90%) of the value of the asset as assessed by the valuer, approval of the unit holders shall be obtained.

(6) In case of any material development that may have an impact on the valuation of the assets under Investment Trust, then investment manager shall require the valuer to undertake full valuation of the infrastructure project or property under consideration within not more than two (2) months from the date of such event and disclose the same to the trustee and the recognised stock exchange(s) within fifteen (15) days of such valuation.

(7) The valuer shall not value any assets in which it has either been involved with the acquisition or disposal within the last twelve (12) months other than such cases where valuer was engaged by the Investment Trust for such acquisition or disposal.

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

103. (1) An Investment Trust whose units are not listed on a recognised stock exchange may choose to surrender its certificate of registration to the Authority 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 shall 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 Authority.

PART C: FAMILY INVESTMENT FUND

Eligibility Conditions

104. (1) A Family Investment Fund may be set up in the IFSC as a Company, Trust (only in the form of Contributory Trust) or Limited Liability Partnership or any other form as may be permitted by the Authority from time to time.

Provided where the contributory vehicle is in the form of a Trust, it shall ensure that, -

- (a) the beneficiaries are identifiable based on the provisions of the Trust deed, though not specifically named in the Trust deed;
- (b) the share of each beneficiary should be capable of being determined based on the provisions mentioned in the trust deed and shall not be at the discretion of the trustee; and
- (c) further contributors to the Trust, in addition to the initial contributors, shall not make the existing beneficiaries unknown or their shares indeterminate.

- (2) The requirements under regulations 5 and 8 pertaining to Legal form and Net-worth of a FME respectively, shall not be applicable to a Family Investment Fund.

- (3) A Family Investment Fund should have and maintain a minimum investment of USD 10 million within a period of three (3) years from the date of obtaining certificate of registration.

- (4) The Family Investment Fund may either be open-ended or close-ended, depending upon the requirements of the family.

- (5) A Family Investment Fund may set up additional investment vehicles after filing documents for such vehicles with the Authority and payment of applicable fee as specified by the Authority.

Explanation I.- Such additional investment vehicles in the form of companies, limited liability partnerships, trusts or any other form as may be specified by the Authority, shall be considered in conjunction for the purpose of meeting the condition specified under sub-regulation (3).

Explanation II. - The Family Investment Fund or the investment vehicle may be construed as Category I Alternative Investment Fund, Category II Alternative Investment Fund or Category III Alternative Investment Fund depending on the investment strategy adopted in accordance with regulation 30 ⁴⁵[, and shall accordingly be taken on record by the Authority.]

Permissible Activities

105. A Family Investment Fund may undertake all activities related to managing family investment fund and such other activities as may be specified by the Authority.

Permissible investments

⁴⁵ Inserted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026.

106. Subject to other provisions of these regulations, a Family Investment Fund may invest monies only in the following instruments or entities in IFSC, India or foreign jurisdictions in the manner and to the extent as specified by the Authority:-
- (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 investment schemes;
 - (g) Derivatives including commodity derivatives;
 - (h) Limited Liability Partnerships;
 - (i) Physical assets such as real estate, bullion, art, etc.; or
 - (j) Such other securities or financial product/assets or instruments as specified by the Authority.

Borrowing

107. A Family Investment Fund may borrow funds and engage in leveraging activities as per their risk management policy.

⁴⁶[PART D: THIRD-PARTY FUND MANAGEMENT SERVICES

107A. A FME may launch a scheme on behalf of a third-party in accordance with the provisions of this Part.

Definitions

107B. For the purpose of this Part:

- i. “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;
- ii. “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.

Obligation to seek Authorisation and compliances

107C. (1) A FME intending to set up and manage schemes on behalf of a third-party shall seek authorisation from the Authority under this Part for undertaking third-party fund management services in accordance with the terms and conditions specified in this Part and shall comply with other conditions as may be specified by the Authority from time to time.

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

(2) The FME shall be responsible for strengthening its overall compliance function and shall 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 shall ensure compliance with this Part.

(4) Notwithstanding any arrangement of FME with the third-party including the indemnification arrangement, the FME shall continue to be liable for any and all obligations or liabilities arising in connection with the third-party fund management arrangement.

⁴⁶ Inserted by the International Financial Services Centres Authority (Fund Management) (Amendment) Regulations, 2025 w.e.f. July 30, 2025

Legal Form of the FME

107D. (1) The FME seeking authorisation under this Part shall be 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 Authority.

(2) In case of a company, its memorandum of association, and in case of a LLP, its limited liability partnership agreement, shall contain a provision enabling it to offer third-party fund management services.

Appointment of Principal Officers and other Key managerial personnel

107E. (1) For each scheme managed under the third-party fund management arrangement, the FME shall appoint a dedicated person as the Principal Officer who shall 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 may 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 shall 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 in terms of sub-regulation (4) of regulation 7, the AUM of the schemes managed under the third-party fund management arrangement shall 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 sub-regulations (1) and (3) of this regulation shall be carried out in the manner specified by the Authority.

Net worth requirement

107F. A FME seeking authorisation to offer third-party fund management services shall, at all times, maintain an additional net worth of USD 500,000 or such other amount as may be specified by the Authority;

Explanation. – Such net worth shall 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; and

- (ii) the minimum net worth requirements applicable for any other activities within or outside the IFSC.

Schemes under third-party fund management arrangement

107G. (1) A FME shall manage Restricted Schemes under third-party fund management arrangement in accordance with and in the manner as specified under Part B of Chapter III of these regulations:

Provided that such scheme does not exceed the corpus of USD 50 million or such other value as may be specified by the Authority.

(2) The third-party, under the third-party fund management arrangement, shall be deemed to be an associate of the FME for the purpose of compliance with the requirements specified under sub-regulation 3 of regulation 35, sub-regulation 4 of regulation 35 and regulation 40.

Eligibility of ‘third-party’

107H. A FME may 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; and,
- (d) The third-party, its officers, directors/ partners/ designated partners, key managerial personnel and controlling shareholders are ‘fit and proper’ persons in terms of regulation 9.

Explanation.- A third-party fund manager shall 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.

Disclosures to investors

107I. For the Restricted Schemes that are managed under the third-party fund management services, besides making disclosures under regulation 36, the FME shall 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; and
- (d) such other disclosures as may be specified by the Authority.

Risk Management

107J. The FMEs shall 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; and
- (e) Such other measures as may be specified by the Authority.

Other obligations of the FME

107K. (1) It shall be the duty of the FME to ensure that-

- (a) the third-party meets the eligibility criteria as specified under regulation 107H;
- (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 may 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 Authority;
 - (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 Authority, and
 - (j) such other requirements as may be specified by the Authority.
- (2) The FME shall be responsible for all the acts of omissions and commission of the third-party in relation to the third-party fund management services;

Miscellaneous

107L. All other relevant provisions of these regulations including the circulars or guidelines, if any, issued thereunder, unless specified otherwise, shall mutatis mutandis apply to the FMEs authorised under this Part for the schemes managed under the third-party fund management arrangement.

107M. This part shall not be applicable to such schemes of FME wherein the parent entity or any associate of the FME provides any fund management related support or advice to the FME.]

CHAPTER VII LISTING

Listing of open-ended schemes

108. The FMEs may list its open-ended schemes on recognised stock exchanges.

Listing of close ended scheme

109. The FMEs may list its close ended schemes on recognised stock exchanges:

Provided that a close-ended retail scheme in which the minimum amount of investment by an investor is less than USD 10,000 shall be mandatorily listed on at least one of the recognised stock exchanges.

Listing of ETFs

110. Units of ETFs shall be mandatorily listed on at least one of the recognised stock exchanges.

Listing of Investment Trust

111. (1) The units of an Investment Trust, except those raised through private placement and are neither listed nor proposed to be listed on a recognised stock exchange, shall be listed on a recognised stock exchange:

(a) in case of initial public offer, within 12 working days from the date of closure of the initial public offer;

(b) in case of private placement, within 30 working days from the date of allotment:

Provided that this sub-regulation shall not apply if the initial offer does not satisfy the requirement of minimum subscription amount specified in these regulations.

(2) The listing of the units of the Investment Trust shall be in accordance with the listing agreement entered into between the Investment Trust and the recognised stock exchange.

(3) The units of the Investment Trust listed on the recognised stock exchange(s) shall be traded, cleared and settled in accordance with the requirements specified by the recognised stock exchange(s) and such requirements as may be specified by the Authority.

(4) Any person other than the sponsor(s) holding units of the Investment Trust prior to initial offer, shall hold the units for a period not less than six (6) months from the date of listing of the units.

(5) An Investment Trust whose units are not listed on a recognised stock exchange may list such units on a recognised stock exchange, subject to it complying with the requirements specified for privately placed and listed Investment Trust under these regulations and in the manner specified by the Authority from time to time.

Approval by Recognised Stock Exchange for Listing

112. (1) The FME which intends to list units of its scheme or ETFs or Investment Trust on the recognised stock exchange(s), shall obtain an 'in-principle' approval from recognised stock exchange(s) in accordance with the requirements of the recognised stock exchange(s) from time to time.
- (2) The delisting of schemes or ETFs or Investment Trust shall be permitted subject to the terms and conditions as may be specified by the recognised stock exchanges.

Disclosures

113. Schemes or ETFs or Investment Trust listed on the recognised stock exchanges shall make such disclosures as may be specified by the Authority or the recognised stock exchanges.

Secondary Listing of an ETF or Investment Trust listed in India or Foreign Jurisdiction

114. (1) An ETF or Investment Trust (by whatever name it may be called outside IFSC) may be allowed to list and trade on a recognised stock exchange provided:
- (a) The ETF or Investment Trust, as the case may be, is listed in India (outside IFSC) or in a foreign jurisdiction; and
 - (b) The ETF or Investment Trust is in compliance with the law of its home jurisdiction.
- (2) The application for listing of such ETF or Investment Trust shall be filed with the recognised stock exchange(s) in the format and manner provided by the recognised stock exchange(s).
- (3) The recognised stock exchange(s) may exempt the continuous obligations and disclosure requirements for ETFs or Investment Trust listed on them, provided that the FME submits all information and documents in English to such exchange(s) at the same time as they are released to the home exchange where it has a primary listing.

Suspension of Listing and Trading

115. (1) The Authority or the recognised stock exchange may suspend the listing and trading of units of an Investment Trust or schemes or ETF if:
- (a) the Investment Trust or parties to the Investment Trust or the FME are in non-compliance with the regulatory provisions specified by Authority or the recognised stock exchange(s);
 - (b) the Investment Trust or schemes or ETF is suspended in any other stock exchange; or
 - (c) the suspension is required for ensuring orderly operation of market.
- (2) The recognised stock exchange may restore the listing and trading of Investment Trust or schemes or ETF that have been suspended if it considers that the suspension is no longer required.

Delisting by Recognised Stock Exchange

116. The recognised stock exchange may delist Investment Trust or schemes or ETF if it is satisfied

that -

- (a) the Investment Trust / Scheme / ETF is suspended for trading for more than six months or parties to Investment Trust or FME are not taking adequate action to obtain restoration of listing and trading;
- (b) the Investment Trust or parties to Investment Trust or FME is no longer eligible for listing or trading;
- (c) the Investment Trust or schemes or ETF have been compulsorily delisted from another exchange;
- (d) if the exchange is satisfied that there are special circumstances that require delisting of the Investment Trust or schemes or ETF; or
- (e) it is directed to do so by the Authority or any other relevant authority or any court order of applicable jurisdiction.

Voluntary Delisting

117. The recognised stock exchange may delist Investment Trust or scheme or ETF, based on request received from the Investment Trust or FME, in the manner provided by the recognised stock exchange(s) or the Authority.

CHAPTER VIII GENERAL OBLIGATIONS AND RESPONSIBILITIES

Code of Conduct

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

Maintenance of books of account, records and other documents

119. (1) Every FME shall 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 Authority the place where such books of account, records and documents are maintained.
- (2) Every FME shall 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;
 - ⁴⁷[(fa) records pertaining to internal policies, frameworks, plans or standard operating procedures prepared by the FME in compliance with these regulations;]
 - (g) relevant records and documents relating to its activities under these regulations; and
 - (h) such other books of accounts, records and documents as may be specified by the Authority from time to time.
- (3) The FME shall 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.

⁴⁷ Inserted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026.

Information to the Authority

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

Business Continuity Plan

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

Cyber Security and Cyber Resilience

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

Risk Management and Internal Controls

123. (1) A FME shall have a sound risk management system for comprehensively managing all risks.
- (2) A FME shall 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.

Guaranteed returns

124. 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.

Change in control

125. (1) A FME shall seek prior approval of the Authority in case of any direct or indirect change in control of the FME:

Provided that 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 shall only inform such change to the Authority, within fifteen (15) days thereof.

(2) The Authority may consider such request for change in control subject to such conditions, as deemed appropriate including offering exit opportunity to investors.

Payment of Fees

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

Advertisements

127. Advertisements issued by FME, if any, shall be in conformity with the Advertisement Code as specified in the **Fifth Schedule** of these regulations.

Fees and Expenses of the Schemes.

128. (1) All fees and expenses should be clearly identified and appropriated separately for each scheme.

(2) The FME shall ensure suitable disclosure in the offer document / placement memorandum regarding the maximum fees and expenses that it may charge and each expense item shall be disclosed separately as a specific line item in the offer document / placement memorandum.

Appointment of Investment Committee

129. (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.

Merger, demerger or restructuring of schemes

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

Winding up of the Scheme

131. (1) A scheme of the FME may 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. (75%) 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.

⁴⁸[(c) If the FME has raised funds from the investors under the scheme but fails to achieve the minimum corpus during the validity or extended validity of the placement memorandum or offer document, as applicable, and the FME has not extended the validity thereof by making the requisite filing and payment of fee to the Authority.

(d) When no investors have been onboarded into the scheme and no funds have been collected and the FME voluntarily desires to wind up the same.]

(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; or
- (c) manage schemes of other FMEs.

Appointment of Custodian

132. The FME shall appoint an independent custodian to provide the custodial services for the following schemes:-

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

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

Explanation I. – The Custodian appointed under this regulation shall 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 may 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 Authority whenever directed to do so.

⁴⁹[*Explanation II.* – In case of schemes which are required to appoint custodian in IFSC in terms of the abovementioned provision, such appointment may be made within twenty four (24) months from the date of commencement of the International Financial Services Centres Authority (Fund Management) (Amendment) Regulation, 2026, during which period the FME may appoint an independent custodian in India, or any foreign jurisdiction, which is regulated by the financial sector regulator in that jurisdiction and make necessary arrangement to provide such information

⁴⁸ Inserted by the International Financial Services Centres Authority (Fund Management) (Amendment) Regulations, 2026, w.e.f. January 30, 2026

⁴⁹ Substituted by the International Financial Services Centres Authority (Fund Management) (Amendment) Regulations, 2026, w.e.f. January 30, 2026. Prior to the substitution, it read as-

“*Explanation II.*-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 shall be required to appoint custodian in IFSC within twelve (12) months from the date of notification of these regulations.”

to Authority whenever directed to do so.]

Redemption of Close ended scheme

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

Scheme Annual Report

134. (1) FME shall prepare an annual report of accounts of the schemes and abridged summary thereof, in respect of each financial year and shall submit the same to the Authority not later than ⁵⁰[six (6)] months from the end of financial year.
- (2) The annual report and abridged summary shall 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 shall be shared with the investors within ⁵¹[six (6)] months from the end of the financial year:
- Provided* that if an investor seeks the full annual report, the FME shall provide the same within fifteen (15) days from the date of the receipt of such request.

Auditor's report

135. (1) Every scheme launched by FME shall have the annual statement of accounts audited by an auditor who is not in any way associated with the FME.
- ⁵²[*Provided* that such requirement shall not be applicable for the FMEs which are set up by the Government and Government related investors such as central banks, sovereign wealth funds, international or multilateral organizations or agencies including entities controlled or at least seventy-five per cent. (75%) directly or indirectly owned by such Government and Government related investors wherein such investors are the sole contributors, directly or indirectly, of the schemes launched by such FMEs.]
- (2) The auditor shall be appointed by the fiduciaries.
- (3) The auditor shall forward his report to the fiduciaries and such report shall form part of the Annual Report of the schemes.

Other disclosures to the investors

136. (1) The FME shall ensure that investors are provided information about their holding in the

⁵⁰ Substituted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026. Prior to the substitution, it read as "four".

⁵¹ Substituted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026. Prior to the substitution, it read as "four".

⁵² Inserted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026.

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 shall 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.

Restrictions on business activities of the FME

137. The FME shall not undertake any business activities other than as specified under these regulations, without prior approval of the Authority:

Provided that a FME operating in the form of branch in an IFSC shall inform the Authority within fifteen (15) 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.

Provided further that FME intending to open a branch or representative office in other jurisdictions for the purpose of marketing their offerings and client service shall give prior intimation to the Authority with the details regarding such branch or representative office.

CHAPTER IX

INSPECTION AND AUDIT

Inspection

138. (1) The Authority may *suo motu* or upon receipt of information or complaint at any time appoint one or more persons as Inspecting Authority to undertake the inspection of the books, accounts, records, documents, infrastructure, procedures, systems of a FME or any other entity associated with the activities under these regulations for any purpose or to investigate the affairs of schemes and activities as detailed under these regulations including the purposes as specified under sub-regulation (2).
- (2) The purposes referred to in sub-regulation (1) may include, -
- (a) to ensure that the books of account, records and documents are being maintained in the manner as required under these regulations;
 - (b) to ensure that the provisions of the Act, the regulations and circulars issued thereunder, are complied with;
 - (c) to ascertain whether adequate internal control systems, procedures and safeguards have been established or are being followed by the FME or other entities to fulfil its obligations under these regulations;
 - (d) to ascertain whether any circumstances exist which would render the FME or other entities unfit or ineligible;
 - (e) to inquire into the complaints received from the investors, clients, other market participants, or any other person on any matter having a bearing on the activities of the FME; and
 - (f) to inquire *suo motu* into such matters as may be deemed fit in the interest of investors or the financial market in IFSC.
- (3) Before undertaking an inspection under sub-regulation (1), the inspecting authority shall give a notice to the FME or such other entities referred to in sub-regulations (1):
Provided that where the inspecting authority is satisfied that in the interest of the investors no such notice should be given, it may, for reasons to be recorded in writing, dispense with such notice.

Obligations of FME on inspection

139. (1) Where an inspection of a FME is undertaken by the Authority, such FME and every principal officer, partner, designated partner, trustee, director, chairperson, CEO, KMPs, officer, employee and any agent, etc., of the FME shall provide all assistance and cooperate with the Inspecting Authority and shall furnish books of accounts, records and documents to the Inspecting Authority

with such statements and information relating to its activities within such time as decided by the Inspecting Authority.

(2) The FME shall give all assistance as may be required in connection with the inspection and allow the Inspecting Authority to have reasonable access to its premises and extend reasonable facility for examining any books of accounts, records and documents in its possession, and also provide copies of records or documents or other material which in the opinion of the inspecting authority are relevant for the purposes of the inspection.

(3) The Inspecting Authority, in the course of inspection, shall be entitled to examine or record the statements of any principal officer, partner, designated partner, trustee, director, chairperson, officer, employee and any agent of the FME

(4) It shall be the duty of every principal officer, partner, designated partner, trustee, director, chairperson, CEO, KMPs, officer, employee and any agent of the FME to give to the inspecting officer all assistance in connection with the inspection, which the inspecting officer may require.

Appointment of auditor or valuer

140. (1) The Authority may appoint an auditor to inspect the books of account, records, documents infrastructures, systems and procedures or affairs of an FME:

Provided that the auditor so appointed shall have the same powers of an inspecting authority:

Provided further that a FME and its employees shall have the same obligations towards the auditor as they have towards the Inspecting Authority as specified under regulation 139.

(2) The Authority may appoint a valuer to value the scheme assets if considered necessary.

(3) The Authority shall be entitled to recover expenses including fees paid to the auditors / valuer as may be incurred by it, for such inspection.

Submission of report

141. The Inspecting Authority shall submit the inspection report to the Authority, and the Authority may take such action as it may deem fit and appropriate, on such report:

Provided that if directed to do so by the Authority, the Inspecting Authority may submit an interim report.

Action by the Authority upon inspection.

142. The Authority may, after consideration of the inspection report and after giving reasonable opportunity of being heard to the FME and/ or its partner, designated partner, trustee, director, chairperson, CEO, KMPs, and any agent, etc., issue such direction as it deems fit in the interest of financial market or the investors, including directions in the nature of:-

(a) requiring FME not to launch new schemes or raise money from investors for a particular period;

- (b) prohibiting the person concerned from disposing of any of the properties of the fund or scheme acquired in violation of these regulations;
- (c) requiring the person concerned to dispose of the assets of the fund or scheme in a manner as per the directions;
- (d) requiring the person concerned to refund any money or the assets to the concerned investors, along with or without interest, collected under the scheme;
- (e) prohibiting the person concerned from operating in the financial market or from accessing the financial market for a specified period;
- (f) any other direction(s), as the Authority may deem appropriate.

CHAPTER X
LIABILITY FOR ACTION IN CASE OF DEFAULT

Suspension, cancellation of registration or any other actions

143. The Authority may take such action as deemed fit, including suspension or cancellation of registration, against a FME if it:-
- (a) fails to exercise due diligence or comply with any conditions subject to which a certificate of registration has been granted;
 - (b) contravenes any of the provisions of the Act or rules or regulations or circulars or guidelines or directions or instructions issued thereunder;
 - (c) fails to furnish any information relating to its activity as a FME as directed by the Authority;
 - (d) furnishes to the Authority information which is false or misleading in any material particular;
 - (e) does not submit periodic returns or reports as directed by the Authority;
 - (f) does not co-operate in any enquiry, inspection or investigation conducted by the Authority;
 - (g) fails to resolve the complaints of investors or fails to give a satisfactory reply to the Authority; or
 - (h) commits any other act/omission which in the opinion of the Authority warrants such action or which is against the interest of the investors.

CHAPTER XI
POWER TO RELAX, ISSUE CLARIFICATIONS AND SPECIFY ADDITIONAL
REQUIREMENTS

Power to relax strict enforcement of the regulations

144. (1) The Authority, for reasons to be recorded in writing, may in the interest of development of financial market in IFSC, relax the strict enforcement of any requirements of these regulations.
- (2) For seeking relaxation under sub-regulation (1), an application giving details and the grounds on which such relaxation has been sought, shall be filed with the Authority along with a non-refundable fee as may be specified by the Authority.
- (3) The Authority shall process such application within sixty (60) days of the date of receipt of the application, complete in all respects, including responses to clarifications sought and shall record reasons for acceptance or refusal of the relaxations sought by the applicant.

Regulatory or Innovation Sandbox and Fund Lab

145. (1) The Authority may, exempt any person or class of persons from the operation of all or any of the requirements under these regulations for a period as may be specified but not exceeding eighteen months, for furthering innovation in aspects relating to testing new products, strategies, processes, services, business models, use of technology, etc. in live environment of regulatory or innovation sandbox in the financial markets:
- Provided* that any experiment in a scheme towards a new strategy shall not solicit money from public and shall be governed by a framework specified by the Authority.
- (2) Any exemption granted by the Authority under sub-regulation (1) shall be subject to the applicant satisfying such conditions as may be specified by the Authority including conditions to be complied with on a continuous basis.

Power to specify norms, procedures, issue clarifications and remove difficulties

146. (1) For the purposes of implementation of these regulations and matters incidental thereto, the Authority may specify norms, procedures, processes, additional requirements, etc. by way of circulars, guidelines or directions.
- (2) In order to remove any difficulties in the interpretation or application of the provisions of these regulations, the Authority may issue directions through guidance notes or circulars.

CHAPTER XII

MISCELLANEOUS

Delegation of powers

147. The powers exercisable by the Authority under these regulations shall also be exercisable by any officer of the Authority to whom such powers are delegated by the Authority.

Repeal and Savings

148. (1) On and from the commencement of these regulations, the International Financial Services Centres Authority (Fund Management) Regulations, 2022, shall stand repealed.
- (2) On and from the commencement of these regulations, the following circulars issued by the Authority shall stand superseded:
- a. IFSCA Circular No. IFSCA-IF-10PR/1/2023-Capital Markets/4 issued on July 25, 2024; and
 - b. IFSCA Circular No. IFSCA-IF-10PR/1/2023-Capital Markets/5 issued on October 29, 2024.
- (3) Notwithstanding such repeal and supersession, —
- (a) anything done or any action taken or purported to have been done or taken including registration or approval granted, suspended or cancelled, fees collected, any adjudication, enquiry or investigation commenced or show-cause notice issued, under the repealed regulations, superseded circulars, shall be deemed to have been done or taken or commenced under the corresponding provisions of these regulations;
 - (b) any application made to the Authority under the repealed regulations, prior to such repeal, and pending before it shall be deemed to have been made under the corresponding provisions of these regulations;
 - (c) the previous operation of the repealed regulations, superseded circulars or anything duly done or suffered thereunder, any right, privilege, obligation or liability acquired, accrued or incurred under the repealed regulations, any penalty incurred in respect of any violation committed against the repealed regulations, or any investigation, legal proceeding or remedy in respect of any such right, privilege, obligation, liability, penalty as aforesaid, shall remain unaffected as if the repealed regulations have never been repealed.
- (4) After the repeal of International Financial Services Centres Authority (Fund Management) Regulations, 2022, any reference thereto in any other regulations made, guidelines or circulars issued thereunder by the Authority, any act of the Government of India or laws enacted by other statutory authorities shall be deemed to have the reference to the corresponding provisions of these regulations.
- (5) Save as otherwise contained in sub-regulation (2), the circulars or guidelines issued by

Authority under the International Financial Services Centres Authority (Fund Management) Regulations, 2022, shall be deemed to have been issued under these regulations unless and until they are specifically superseded or modified by the Authority.

FIRST SCHEDULE
(Regulation 3)
MANNER OF APPLICATION FOR REGISTRATION

Applicants shall file their application in the SWIT and shall provide the following declarations and undertakings as part of their application in the SWIT:

- a) We hereby declare that the information supplied in the application, including the attachments thereto, is complete and true.
- b) The activities proposed in the IFSC are in line with the object clause.
- c) The applicant and its principal officers, directors/ partners/ designated partners, key managerial personnel and controlling shareholders are fit and proper persons.
- d) We shall ringfence the operations of branch from other operations of the applicant (applicable in case of branch)
- e) We shall notify IFSCA immediately of any material change in the information provided in the application.
- f) We shall ensure that the key activities of Investment decision, portfolio management and grievance handling shall be undertaken from IFSC.
- g) We shall ensure that Key Management Personnel as required under regulation 7 shall be based out of IFSC.
- h) We further undertake to comply with and be bound by the International Financial Services Centres Authority Act, 2019, and the regulations, circulars, guidelines and instructions thereunder as issued by IFSCA from time to time.
- i) We further agree that as a condition of registration, we shall at all times abide by such operational instructions/directives as may be issued by the IFSCA from time to time.
- j) We shall, to the satisfaction of IFSCA, furnish any other information as may be sought by IFSCA.

SECOND SCHEDULE
NET WORTH REQUIREMENTS

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

THIRD SCHEDULE
CODE OF CONDUCT AND OBLIGATIONS

PART A: CODE OF CONDUCT AND OBLIGATIONS OF THE FUND MANAGEMENT ENTITY

- (a) The FME shall take all reasonable steps and exercise due diligence to ensure that the investment of funds pertaining to any scheme is not contrary to the provisions of these regulations.
- (b) The FME shall be responsible for the acts of commission or omission by its employees or the persons whose services have been procured by the FME.
- (c) Notwithstanding anything contained in any contract or agreement or termination, the FME or its directors or partners or other officers shall not be absolved of liability to the scheme or its investors for their acts of commission or omission, while holding such position or office.
- (d) The Chief Executive Officer (whatever be the designation) of the FME shall ensure that the FME complies with all the provisions of these regulations and the guidelines or circulars issued in relation thereto from time to time and that the investments made by the FME are in the interest of the unit holders and shall also be responsible for the overall risk management function of the FME.
- (e) The FME shall not appoint any person as key personnel who has been found guilty of any economic offence or involved in violation of securities laws.
- (f) The FME shall compute and carry out valuation of investments made by its scheme(s) in accordance with the investment valuation norms specified in **Sixth Schedule**, and shall publish the same.
- (g) The FME and its controlling shareholders shall be liable to compensate the affected investors and/or the scheme for any unfair treatment to any investor as a result of inappropriate valuation.
- (h) The FME must ensure that all investors are provided with adequate, accurate, explicit and timely information fairly presented in a simple language about the investment policies, investment objectives, financial position and general affairs of the scheme.
- (i) The FME shall ensure that the assets and liabilities of each scheme are segregated and ring-fenced from other schemes of the FME; and bank accounts and securities accounts of each scheme are segregated and ring-fenced.
- (j) The FME must not use any unethical means to sell, market or induce any investor to buy their schemes.
- (k) The FME shall maintain high standards of integrity and fairness in all their dealings and in the conduct of their business.
- (l) The FME shall render at all times high standards of service, exercise due diligence, ensure proper care and exercise independent professional judgment.
- (m) The FME shall not make any exaggerated statement, whether oral or written, either about their

qualifications or capability to render investment management services or their achievements.

(n) The FME shall ensure compliance with the Anti-Money Laundering/ Combating the Financing of Terrorism (AML/CFT) norms as applicable.

⁵³[(o) The FME shall ensure that all the policies, frameworks, plans, by whatever name called, that are prepared in compliance with these regulations, approval from the Board of Directors or designated partners or trustees, as may be the case, of the FME, or from the appropriate authorised committee or designated senior management official(s) of the FME to whom such powers have been delegated, shall be obtained.]

PART B: CODE OF CONDUCT AND OBLIGATIONS OF FIDUCIARIES (DIRECTORS / DESIGNATED PARTNERS / TRUSTEES OF THE FUND)

(a) Based on the legal structure of the fund/scheme, the Board of Directors in case of Company, Designated Partners in case of LLP and Trustees (including the Board in case of a Trustee company) in case of a Trust, shall:

- (i) ensure that the monies of the schemes are invested to achieve the objectives of the scheme and in the interest of the investors.
- (ii) the assets and liabilities of each scheme are segregated and ring-fenced from other schemes of the FME; and bank accounts and securities accounts of each scheme are segregated and ring-fenced.
- (iii) ensure that different activities of FME are carried at arm's length and interest of investor under one activity are not being compromised with those of any other scheme or of other activities of the FME.
- (iv) have a right to obtain from the FME such information as is considered necessary.
- (v) render at all times high standards of service, exercise due diligence, ensure proper care and exercise independent professional judgment.
- (vi) obtain internal audit reports from independent auditors as and when deemed appropriate.
- (vii) hold frequent meetings to ensure it discharges the various responsibilities under these regulations.
- (viii) communicate in writing to the FME of the deficiencies and checking on the rectification of deficiencies.
- (ix) ensure before the launch of any scheme that it has,—
 - (a) systems in place for its back office, dealing room and accounting;
 - (b) appointed all key personnel;

⁵³ Inserted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026.

- (c) ⁵⁴[***];
 - (d) designated a compliance officer who shall be responsible for monitoring the compliance of the Act, rules and regulations, notifications, guidelines, instructions, etc., issued by the Authority or the Central Government and for redressal of investors grievances;
 - (e) ⁵⁵[***]
 - (f) obtained, wherever required under these regulations, prior in principle approval from the recognised stock exchange(s) where units are proposed to be listed.
- ⁵⁶[(ixa) ensure before the execution of the agreement with any investor in the scheme, that it has -
- (a) appointed auditors to audit its accounts;
 - (b) appointed fund administrators registered with the Authority or has satisfied itself that FME has the capabilities to undertake such activities in-house;
 - (c) appointed independent valuer for valuation of the portfolio of scheme; and
 - (d) appointed the custodian for the scheme, if applicable, in terms of regulation 132.]
- (x) ensure that FME has not given any undue or unfair advantage to any associates or dealt with any of the associates of the FME in any manner detrimental to interest of the investors.
 - (xi) quarterly review all transactions carried out between the schemes, FME and its associates.
 - (xii) shall on a yearly basis review the net-worth of the FME to ensure compliance with the threshold ⁵⁷[specified under these regulations] on a continuous basis.
 - (xiii) shall ensure that the scheme/fund property is properly protected, held and administered by proper persons and by a proper number of such persons.
- ⁵⁸[(xiv) shall ensure that, when required in terms of regulations 23(2), 23(4), 35(3), 35(4) and 36(3), the FME either obtains the approval of the investors or makes adequate and prominent disclosures in the placement memorandum and also include in the investor agreement.]

PART C: CODE OF CONDUCT AND OBLIGATIONS OF PRINCIPAL OFFICER, FUND MANAGER AND COMPLIANCE OFFICER

- (a) The Principal Officer shall ensure that all the activities of the FME are in accordance with the

⁵⁴ Words and symbols “appointed auditors to audit its accounts;” omitted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026.

⁵⁵ Words and symbols “appointed fund administrators registered with the Authority or capabilities to undertake such activities in-house by the FME” omitted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026.

⁵⁶ Inserted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026.

⁵⁷ Substituted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026. Prior to the substitution, it read as “provided in Second Schedule”.

⁵⁸ Inserted by the International Financial Services Centres Authority (Fund Management) (Second Amendment) Regulations, 2026, w.e.f. September 10, 2026.

provisions of these regulations and various circulars and guidelines issued thereunder.

- (b) The Principal Officer shall ensure that the funds of the schemes are invested to achieve the objectives of the scheme and in the interest of the investors.
- (c) Where the Principal Officer has reason to believe that the conduct of business of the FME is not in accordance with these regulations it shall forthwith take such remedial steps as are necessary by it and shall immediately inform the Authority of the violation and the action taken by it.
- (d) The Principal Officer shall periodically review the investor complaints received and shall ensure immediate redressal of the same by the FME.
- (e) Principal Officer and Fund Managers shall:
 - (i) abide by the Act, Rules, Regulations, Guidelines and Circulars governing the securities market;
 - (ii) strive for highest ethical and professional standards to enhance the reputation of the markets;
 - (iii) act honestly in dealings with other market participants;
 - (iv) act fairly and deal with market participants in a consistent and transparent manner;
 - (v) act with integrity, particularly in avoiding questionable practices and behaviour;
 - (vi) not indulge in any unethical business activities or professional misconduct involving dishonesty, fraud or deceit or commit any act that could damage the reputation of the organisation or the fund management industry;
 - (vii) identify existing or potential conflicts of interest as per their institutions policies and address the same;
 - (viii) not carry out any transaction on behalf of a scheme with any counter party who is an associate of the FME / controlling shareholders unless such transaction is carried
 - a. out on arm's length basis after taking into account the interest of investors and;
 - b. in terms of the provisions of these regulations and circulars issued thereunder.
 - (ix) not offer or accept any inducement in connection with the affairs or business of managing the funds of investors which is likely to conflict with the duties owed to the investors;
 - (x) not receive any gift or entertainment which is not in adherence of the gift and entertainment policy of the FME framed in this regard.
- (f) The KMP designated as compliance officer shall
 - (i) be responsible for monitoring the compliance of the Act, rules and regulations, notifications, guidelines, instructions, etc., issued by the Authority and for redressal of investors grievances immediately.
 - (ii) independently report to the Authority any non-compliance observed by him.

PART D: CONFLICT OF INTEREST

- (a) The FME shall act in a fiduciary capacity towards its investors and shall disclose to the investors, all of interests as and when they arise or seem likely to arise.
- (b) FME shall establish and implement written policies and procedures to identify, monitor and appropriately mitigate conflicts of interest throughout the scope of business.
- (c) FME shall abide by high level principles on avoidance of conflicts of interest with associated persons, as may be specified by the Authority from time to time.
- (d) FME shall ensure that different activities of FME are carried at arm's length and interest of investor under one activity are not being compromised with those of any other scheme or of other activities of the FME.

PART E: CODE OF CONDUCT AND OBLIGATIONS OF THE FUND MANAGEMENT ENTITY ACTING AS A PORTFOLIO MANAGER

- (a) A FME acting as a Portfolio Manager shall:-
 - (i) ensure that the money received from the client for an investment purpose is deployed as soon as possible for that purpose and money due and payable to a client is paid forthwith.
 - (ii) not execute any trade against the interest of the clients in its proprietary account.
 - (iii) obtain in writing, interest of the client in various corporate bodies which enables such client to obtain unpublished price sensitive information of such corporate bodies.
 - (iv) where necessary and in the interest of the client, take adequate steps for the transfer of the clients' securities and for claiming and receiving dividends, interest payments and other rights accruing to the client.
 - (v) take necessary action for conversion of securities and subscription for renunciation of rights in accordance with the clients' instruction.
 - (vi) not use its status as any other registered intermediary to unduly influence the investment decision of the clients while rendering portfolio management services.
 - (vii) not make any statement or indulge in any act, practice or unfair competition, which is likely to be harmful to the interests of other portfolio managers or is likely to place such other portfolio managers in a disadvantageous position in relation to the portfolio manager himself, while competing for or executing any assignment.
 - (viii) ensure that the investors are provided with true and adequate information without making any misguiding or exaggerated claims and are made aware of attendant risks before any investment decision is taken by them;
 - (ix) render the best possible advice to the client having regard to the client's needs and the environment, and his own professional skills; and
 - (x) ensure that all professional dealings are effected in a prompt, efficient and cost-effective manner.

FOURTH SCHEDULE
ROLES AND RESPONSIBILITIES FOR PARTIES TO AN INVESTMENT TRUST

PART A: ROLES AND RESPONSIBILITIES OF TRUSTEE

- (a) The trustee shall hold the Business assets in trust for the benefit of the unit holders in accordance with the trust deed and the requirements specified in these regulations.
- (b) The trustee shall enter into an investment management agreement with the investment manager on behalf of the Investment Trust.
- (c) The trustee shall oversee activities of the investment manager in the interest of the unit holders and ensure that the investment manager complies with the responsibilities and shall obtain compliance certificate from the investment manager on a quarterly basis.
- (d) The trustee shall oversee activities of the project manager, where applicable, with respect to compliance with these regulations and the project implementation agreement/ project management agreement and shall obtain compliance certificate from the project manager on a quarterly basis.
- (e) The trustee shall make distributions and ensure that investment manager makes timely declaration of distributions to the unit holders.
- (f) The trustee shall ensure that subscription amount is kept in a separate bank account with IFSC banking unit in name of the Investment Trust and is only utilized for adjustment against allotment of units or refund of money to the applicants till the time such units are listed.
- (g) The trustee shall ensure that the remuneration of the valuer is not linked to or based on the value of the asset being valued.
- (h) The trustee shall ensure that the investment manager convenes meetings of the unit holders and oversee the voting by unitholders and declare outcome of the voting.
- (i) In case of any change in investment manager due to removal or otherwise,-
 - (i) prior to such change, the trustee shall obtain approval from unit holders and approval from the Authority:
Provided that the approval from the Authority shall not be required in respect of an Investment Trust that is privately placed whose units are not listed on any recognised stock exchange.
 - (ii) the trustee shall appoint the new investment manager within three months from the date of termination of the earlier investment management agreement;
 - (iii) the previous investment manager shall continue to act as such at the discretion of trustee till such time as new investment manager is appointed;
 - (iv) the trustee shall ensure that the new investment manager shall stand substituted as a party in all the documents to which the earlier investment manager was a party;

- (v) the trustee shall ensure that the earlier investment manager continues to be liable for all its acts of omissions and commissions notwithstanding such termination.
- (j) In case of any change in the project manager due to removal or otherwise,—
 - (i) the trustee shall appoint the new project manager within three months from the date of termination of the earlier project implementation agreement/ project management agreement;
 - (ii) the trustee may, either *suo motu* or based on the advice of the concessioning authority appoint an administrator in connection with an infrastructure project(s);
 - (iii) the previous project manager shall continue to act as such at the discretion of trustee till such time as new project manager is appointed;
 - (iv) all costs and expenses in this regard will be borne by the new project manager;
 - (v) the trustee shall ensure that the new project manager shall stand substituted as a party in all the documents to which the earlier project manager was a party;
 - (vi) the trustee shall ensure that the earlier project manager continues to be liable for all its acts of omissions and commissions for the period during which it served as the project manager, notwithstanding such termination.
- (k) In case of change in control of the project manager in a PPP project, the trustee shall ensure that written consent of the concessioning authority is obtained in terms of the concession agreement prior to such change, where applicable.
- (l) The trustee of an Investment Trust shall not invest in units of the Investment Trust in which it is designated as the trustee.

PART B: ROLES AND RESPONSIBILITIES OF INVESTMENT MANAGER

- (a) The investment manager shall make the investment decisions with respect to the underlying assets or projects of the Investment Trust including any further investment or divestment of the assets.
- (b) The investment manager shall oversee activities of the project manager with respect to compliance with these regulations and the project implementation agreement/ project management agreement and shall obtain compliance certificate from the project manager on a quarterly basis.
- (c) The investment manager shall ensure that the assets of Investment Trust or holdco or SPV have proper legal and marketable titles, to the extent applicable, and that all the material contracts entered into on behalf of Investment Trust or SPV are legal, valid, binding and enforceable by and on behalf of the Investment Trust or SPV.
- (d) The investment manager shall ensure that the investments made by the Investment Trust are in accordance with the investment conditions and in accordance with the investment strategy of the Investment Trust.

- (e) The investment manager, in consultation with trustee, shall appoint an auditor for a period of not more than five consecutive years:
Provided that the auditor, not being an individual, may be reappointed for a period of another five consecutive years, subject to approval of unitholders in the annual meeting.
- (f) The investment manager shall ensure that the assets of Investment Trust are adequately insured.
- (g) The investment manager shall ensure that it has adequate infrastructure and sufficient key personnel with adequate experience and qualification to undertake management of the Investment Trust at all times.
- (h) The investment manager and the investment banker(s) shall be responsible for all activities pertaining to issue and listing of units of the Investment Trust.
- (i) The investment manager shall be responsible for all activities pertaining to the issue of units of Investment Trust in respect of privately placed Investment Trust whose units are not listed on a recognised stock exchange.
- (j) The investment manager and the investment bankers(s) shall ensure that disclosures made in the offer document or placement memorandum contains material, true, correct and adequate disclosures and are in accordance with the requirements specified by Authority or the recognised stock exchange(s), in respect of Investment Trust listed on a recognised stock exchange.
- (k) The investment manager shall ensure that disclosures made in the placement memorandum contains material, true, correct and adequate disclosures and are in accordance with the requirements specified by Authority in respect of privately placed Investment Trust whose units are not listed on a recognised stock exchange.
- (l) The investment manager shall declare distributions to the unit holders in accordance with the distribution policy as provided in these regulations.
- (m) The Investment manager shall ensure that adequate controls are in place to ensure segregation of its activity as manager of the Investment Trust from its other activities.
- (n) The investment manager shall submit to the trustee, -
 - (i) quarterly reports on the activities of the Investment Trust;
 - (ii) valuation reports within fifteen days of the receipt of the valuation report from the valuer;
- (o) The investment manager shall ensure that the audit of accounts of the Investment Trust by the auditor is done not less than once in a year and such report is:
 - (i) submitted to the recognised stock exchange(s) within sixty (60) days of end of such financial year ending March 31st, in respect of Investment Trust listed on a recognised stock exchange; or
 - (ii) submitted to the trustee and unitholders, either electronically or through physical copies, in respect of privately placed Investment Trust whose units are not listed on a recognised stock exchange.

- (p) The investment manager may appoint a custodian in order to provide such custodial services as may be authorised by the trustees.
- (q) The investment manager shall place, before its board of directors in the case of a company or the governing board in case of an LLP, a report on activity and performance of the Investment Trust every three months.

PART C: ROLES AND RESPONSIBILITIES OF PROJECT MANAGER

- (a) The project manager shall undertake operations and management of the InvIT assets including making arrangements for the appropriate maintenance, as may be applicable, either directly or through the appointment and supervision of appropriate agents and as required under any project agreement including a concession agreement in the case of a PPP project.
- (b) If the InvIT invests in under construction projects, the project manager shall,–
 - (i) undertake the operations and management of the projects, either directly or through appropriate agents;
 - (ii) oversee the progress of development, approval status and other aspects of the project up to its completion, in case of appointment of agents for the purpose of execution.
- (c) The project manager shall discharge all obligations in respect of achieving timely completion of the project implementation agreement/ infrastructure project, wherever applicable, implementation, operation, maintenance and management of such infrastructure project in terms of the project management agreement.

PART D: ROLES AND RESPONSIBILITIES OF SPONSOR

- (a) The sponsor(s) and sponsor group(s) shall set up the Investment Trust and appoint the trustee(s) of the Investment Trust.
- (b) The sponsor(s) and sponsor group(s) shall transfer or undertake to transfer to the Investment Trust, its entire shareholding or interest and rights in the holdco and/ or SPV or ownership of the real estate assets or infrastructure projects, as the case may be, subject to a binding agreement and adequate disclosures in the offer document or placement memorandum, prior to allotment of units of the Investment Trust:
Provided that this shall not apply to the extent of any mandatory holding of shares or interest and rights in the holdco and/ or SPV by the sponsor(s) and sponsor group(s) as per any Act or regulations or circulars or guidelines of government or any regulatory authority or concession agreement.
- (c) With respect to holding of units in the Investment Trust,
 - (i) the sponsor(s) and sponsor group(s) together shall hold not less than twenty per cent. (20%) of the total units of the Investment Trust after initial offer of units, on a post-issue basis for a period of not less than 3 years from the date of the listing of such units

- (ii) Any holding by sponsor in Investment Trust, exceeding twenty per cent. (20%) on a post issue basis, shall be held for a period of not less than one year from the date of listing of such units.
- (d) Sponsor(s) would be responsible for all acts, omissions and representations/ covenants of the Investment Trust related to formation of Investment Trust, sale/ transfer of assets/holdco/SPV to the Investment Trust.
- (e) In case of PPP projects where the InvIT is investing in infrastructure assets through SPV(s), in case such acquiring or holding is disallowed by government or under any provisions of the concession agreement or any other such agreement,—
 - (i) the sponsor may continue to maintain such holding at the SPV level;
 - (ii) the consolidated value of all such holdings at the SPV level and the value of the units of InvIT held by the sponsor shall not be less than the value of fifteen per cent. (15%) of the total units of the InvIT after initial issue of units on a post-issue basis;
 - (iii) such units of the InvIT and shares or interest in the SPV shall be held for a period of not less than three years from the date of the listing of units of the InvIT;
 - (iv) in case such holding of sponsor in the SPV results in the InvIT not having controlling interest and not having more than fifty one per cent. (51%) shareholding or interest in the SPV, the sponsor shall enter into a binding agreement with the InvIT to ensure that decisions taken by the sponsor including voting with respect to the SPV are in compliance with the requirements in this circular and not against the interest of the InvITs or the unit holders and shall be subject to further guidelines as may be specified by the Authority.

PART E: ROLES AND RESPONSIBILITIES OF VALUER

- (a) The valuer(s) shall ensure that the valuation of the Business assets is impartial, true and fair and is in accordance with these regulations.
- (b) The valuer(s) shall ensure that it has sufficient and adequate financial, human and other resources to enable it to perform valuations.
- (c) The valuer(s) and any of its employees involved in valuing of the assets of the Investment Trust, shall not,—
 - (i) invest in units of the Investment Trust or in the assets being valued; and
 - (ii) sell the assets or units of Investment Trust held prior to being appointed as the valuer, till the time such person is designated as valuer of such Investment Trust and not less than six months after ceasing to be valuer of the Investment Trust.
- (d) The valuer(s) shall conduct the valuation of the Investment Trust assets with transparency and fairness and shall render, at all times, high standards of service, exercise due diligence, ensure proper care and exercise independent professional judgment.

- (e) The valuer(s) shall act with independence, objectivity and impartiality in performing the valuation.
- (f) The valuer(s) shall not accept remuneration, in any form, for performing a valuation of the Investment Trust assets from any person other than the Investment Trust or its authorized representative.
- (g) The valuer(s) shall before accepting any assignment, from any related party to the Investment Trust, shall disclose to the Investment Trust any direct or indirect consideration which the valuer may have in respect of such assignment.

PART F: ROLES AND RESPONSIBILITIES OF AUDITOR

- (a) The auditor shall conduct audit of the accounts of the Investment Trust and prepare the audit report based on the accounts examined by him and after taking into account the relevant accounting and auditing standards.
- (b) The auditor shall, to the best of his information and knowledge, ensure that the accounts and financial statements, including profit or loss and cash flow for the period and such other matters as may be specified, give a true and fair view of the state of the affairs.
- (c) The auditor shall have a right of access at all times to the books of accounts and vouchers pertaining to activities of the Investment Trust.
- (d) The auditor shall have a right to require such information and explanation pertaining to activities of the Investment Trust as he may consider necessary for the performance of his duties as auditor from the employees of Investment Trust or parties to the Investment Trust or holdco or SPV or any other person in possession of such information.

FIFTH SCHEDULE
ADVERTISEMENT CODE

- (a) Advertisements shall be accurate, true, fair, clear, complete, unambiguous and concise.
- (b) Advertisements shall not contain statements which are false, misleading, biased or deceptive, based on assumption/projections and shall not contain any testimonials or any ranking based on any criteria.
- (c) Advertisements shall not be so designed as likely to be misunderstood or likely to disguise the significance of any statement. Advertisements shall not contain statements which directly or by implication or by omission may mislead the investor.
- (d) Advertisements shall not carry any slogan that is exaggerated or unwarranted or slogan that is inconsistent with or unrelated to the nature and risk and return profile of the product.
- (e) Advertisements shall not be so framed as to exploit the lack of experience or knowledge of the investors. Extensive use of technical or legal terminology or complex language and the inclusion of excessive details which may detract the investors should be avoided.
- (g) Advertisements shall contain information which is timely and consistent with the disclosures made in the Scheme Documents.

SIXTH SCHEDULE
INVESTMENT VALUATION NORMS - PRINCIPLES OF FAIR VALUATION

A FME shall value its investments in accordance with the following overarching principles so as to ensure fair treatment to all investors including existing investors as well as investors seeking to invest:

(a) The valuation of investments shall be based on the principles of fair valuation i.e., valuation shall be reflective of the realizable value of the securities/financial product/assets. The valuation shall be done in good faith and in true and fair manner through appropriate valuation policies and procedures.

(b) The policies and procedures shall identify the methodologies that will be used for valuing each type of securities/financial products/assets held by the schemes. Investment in new type of securities/financial products/assets by the scheme shall be made only after establishment of the valuation methodologies for such securities/ financial products/assets.

(c) The assets held by the FME shall be consistently valued according to the policies and procedures. The policies and procedures shall describe the process to deal with events where market quotations are no longer reliable for a particular asset.

(d) The FME shall provide for the periodic review of the valuation policies and procedures to ensure the appropriateness and accuracy of the methodologies used and its effective implementation in valuing the securities/financial products/assets.

(e) The valuation policies and procedures approved by the FME should seek to address conflict of interest.

(f) Disclosure of the valuation policy and procedures (with regard to valuation of each category of securities/financial product/assets where the scheme will invest, situation where these methods will be used, process and methodology and impact of implementation of these methods, if any) shall be made in offer document and on the website of the FME to ensure transparency of valuation norms to be adopted by FME. This clause shall be applicable only in respect of Retail Schemes.

(g) The responsibility of true and fairness of valuation and correct NAV shall be of the FME, irrespective of disclosure of the approved valuation policies and procedures i.e., if the established policies and procedures of valuation do not result in fair/ appropriate valuation, the FME shall deviate from the established policies and procedures in order to value the assets/ financial products / securities at fair value:

Provided that any deviation from the disclosed valuation policy and procedures may be allowed with appropriate disclosures to investors.