

FAQs for Specialized Investment Funds

Part B & C – For Intermediaries & Distributors

Issued on September 22, 2026

DISCLAIMER • This is not a legal document. • These FAQs are prepared with a view to guide market participants on Specialized Investment Funds (SIFs). For full particulars of laws governing the SIFs, please refer to the Acts/Regulations/Guidelines/Circulars etc. appearing under the Legal tab of SEBI website i.e. www.sebi.gov.in • The contents of these FAQs are updated as on September 21, 2026.

Frequently Asked Questions on Specialized Investment Funds (SIFs)

Part B: FAQs for Mutual Funds/AMCs

1. Establishment, Branding and Governance

B1. Who is eligible to establish a Specialized Investment Fund (SIF)?

Under Regulation 16(4) of the SEBI (Mutual Funds) Regulations, 2026 (MF Regulations), a registered mutual fund may be granted approval to establish an SIF, subject to meeting the prescribed eligibility criteria.

B2. What is the purpose of separate branding requirement for SIF? What are the branding requirements applicable to an SIF?

To clearly distinguish an SIF from its regular mutual fund business, separate branding requirements have been specified. For SIFs, AMC should use a separate brand name and logo, which shall be approved by the Board of AMC, Trustee Company and SEBI.

B3. Whether the requirements relating to advertisements, performance disclosures, and investor education and awareness, as applicable to mutual fund schemes, also apply to SIF investment strategies?

Yes. Unless specifically provided otherwise, the AMC shall comply with all requirements relating to advertisements, performance disclosures, and investor education and awareness applicable to mutual fund schemes, in respect of the investment strategies of the SIF.

B4. Whether the use of the brand name of the sponsor, AMC or mutual fund is permitted in the offer documents, advertisements or promotional material of an SIF?

Yes. The brand name of the sponsor, AMC or mutual fund can be used in the SIF's offer documents, advertisements and promotional material in the manner prescribed by SEBI, for initial five years from the date of SEBI's approval to launch the SIF.

B5. Whether an AMC is required to maintain a separate website or dedicated webpage for the SIF?

Yes, AMC should maintain either a separate website or a dedicated webpage exclusively for the SIF, using the SIF's separate brand name and logo.

B6. Whether AMC can conduct investor education and awareness programmes relating to SIF? Further, whether the corpus earmarked for investor education and awareness may be maintained and utilised on a combined basis for the mutual fund and the SIF?

Yes. An AMC may conduct investor education and awareness programmes to educate investors about the nature, features, risks etc. of SIFs. Such programmes shall be educational in nature and should not be used to promote or solicit investment in a particular SIF investment strategy.

Since no separate investor education and awareness corpus is prescribed for an SIF, a common corpus may be maintained at the mutual fund level and may be utilised for initiatives relating to both mutual fund schemes and SIF investment strategies.

B7. Are there any minimum experience or AUM requirements prescribed for the Chief Investment Officer (CIO) or Fund Manager of an SIF?

The requirements depend on the route used by the AMC to establish the SIF:

- Sound Track Record Route: No separate minimum experience or Assets Under Management (AUM) requirement is prescribed specifically for the SIF's CIO or Fund Manager. The AMC, however, needs to meet the eligibility conditions prescribed for setting up an SIF under this route.
- Alternate Route: The SIF should have a CIO with at least 10 years of fund-management experience and experience of managing an average AUM of at least ₹5,000 crores and an additional Fund Manager with at least three years of fund-management experience and experience of managing an average AUM of at least ₹500 crores.

B8. How shall the average AUM managed by the CIO/Fund Manager under Alternate Route of eligibility be calculated?

The average AUM managed shall be calculated over a period of 10 years for the CIO and 3 years for the Fund Manager.

B9. Whether every SIF investment strategy required to be approved by the Trustee Board?

Yes. In terms of Regulation 50(1), read with Regulation 24(1) of the SEBI (Mutual Funds) Regulations, 2026, an SIF investment strategy can be launched only after obtaining the approval of the trustees and receiving SEBI's final observations on the offer document.

2. Investment Strategies and Benchmarks

B10. What is 'Equity Ex-Top 100 Long-Short Fund'?

Equity Ex-Top 100 Long-Short Fund is one of the permitted categories of the SIF. It should invest at least 65% in equity and equity-related instruments of companies outside the top 100 companies by market capitalization. The top 100 companies shall be identified using AMFI's half-yearly market-capitalization classification.

B11. Whether Equity Ex-Top 100 Long-Short Fund is permitted to take both hedged and unhedged derivative exposure?

Yes, Equity Ex-Top 100 Long-Short Fund may take both hedged and unhedged derivative exposure. However, unhedged short derivative exposure of maximum 25% can be taken only in stocks outside the top 100.

B12. Whether Equity Ex-Top 100 Long-Short Fund is permitted to take derivative exposure to broad-market indices comprising mid-cap and/or small-cap constituents?

Yes. It may take hedged or unhedged exposure through derivatives on broad-market indices comprising only mid-cap and/ small-cap constituents.

B13. Whether the residual portion of an Equity Ex-Top 100 Long-Short Fund can be invested in securities forming part of the top 100 universe?

Yes. Residual portion i.e. up to 35%, may be invested in the top 100 stocks by market capitalization, including index derivatives based on top 100 stocks. However, unhedged short exposure is not permitted in such top 100 stocks.

B14. What are the investment restrictions applicable to a Sector Rotation Long-Short Fund?

It should invest at least 80% in equity and equity-related instruments and may take unhedged short derivative exposure of up to 25%. Simultaneous long and unhedged short exposure cannot be taken in the same sector. Investment Strategy Information Document (ISID) should disclose an exhaustive list of permissible sectors, and the fund manager may rotate sectors over time.

B15. Whether the residual portion of the portfolio of a Sector Rotation Long-Short Fund can be invested in equity and equity-related instruments, including unhedged short positions through derivatives?

Yes. After meeting the minimum requirement of investing 80% of its net assets in equity and equity-related instruments across a maximum of four sectors, the remaining portion of up to 20% may also be invested in equity and equity-related instruments, including unhedged short positions through derivatives, subject to the applicable investment and exposure limits.

However, the aggregate equity and equity-related exposure of the investment strategy, including the residual portion, should remain confined to a maximum of four sectors.

B16. How shall the number of sectors be determined for Sector Rotation Long-Short Fund?

All sectors in which the strategy has either long or short exposure are counted. For example, long positions in Auto, Pharma and IT, together with a short position in FMCG, constitute exposure to four sectors.

B17. How shall sectors be identified for the purposes of a Sector Rotation Long-Short Fund?

Sectors should be selected from AMFI's sector classification. The ISID should disclose the indicative list of sectors in which the strategy may invest.

B18. What are the investment characteristics of Active Asset Allocator Long-Short Fund?

It dynamically allocates investments across equity, debt, equity and debt derivatives, infrastructure investment trusts (InvITs), and commodity derivatives. It can take maximum of 25% unhedged short exposure through derivative positions in equity and debt instruments.

B19. Whether Active Asset Allocator Long-Short Fund is to required make any minimum investments to any individual asset classes?

No. As the strategy dynamically allocates across different asset classes , no minimum allocation has been prescribed for any individual asset class.

B20. What are benchmarking requirements applicable to SIF investment strategies?

The AMC should select an appropriate broad-market index as the Tier I benchmark, based on the investment strategy. AMC at its discretion may also provide second tier benchmark for investment strategies as applicable for schemes of Mutual Funds under Paragraph 7.22.5 of this Master Circular.

B21. Are there any specific benchmarks specified for hybrid investment strategies?

For an Active Asset Allocator Long-Short Fund, the benchmark-composition framework applicable to the Multi Asset Allocation Fund category of Mutual Funds may be used.

Following benchmarks list may be used as reference list for Hybrid Long Short Fund:

1	NIFTY 50 Hybrid Composite Debt 15:85 Index	CRISIL Hybrid 85+15 Conservative Index
2	NIFTY 50 Hybrid Composite Debt 50:50 Index	CRISIL Hybrid 50+50 Moderate Index
3	NIFTY 50 Hybrid Composite Debt 65:35 Index	CRISIL Hybrid 35+65 Aggressive Index
4	NIFTY 50 Hybrid Composite Debt 50:50 Index	CRISIL Hybrid 50+50 - Moderate Index

B22. Any specific indices that can be considered as benchmark index for the investment strategies?

AMFI will specify the list of indices that AMCs may be used as Tier I benchmarks for investment strategies permitted under SIF.

B23. Whether the requirement of the entire portfolio maturing at each interval would be applicable to Debt Oriented Investment Strategies?

Clause 3.6.2 of the Master Circular for Mutual Funds dated March 20, 2026 (*'MF Master Circular'*), regarding maturity restriction on investments by interval funds, does not apply to SIF's debt oriented investment strategies.

B24. Whether SIF can launch close-ended debt strategies or a close-ended equity strategies?

No, close-ended debt or equity investment strategies are not permitted to be launched by the SIF. Presently, SIF can launch only the investment strategies as specified under Clause 21.3 of the MF Master Circular.

3. Derivative Exposure and Strategies

B25. What constitutes 'hedged' and 'unhedged' derivative exposure for an SIF investment strategy?

Hedged derivative exposure refers to a derivative position taken to reduce or offset the risk of an existing position in the underlying security or derivatives of such security, irrespective of the maturity or expiry of such derivative positions.

Unhedged short derivative exposure includes naked short positions in futures and options, without a corresponding underlying or derivative position in the portfolio, which limits the loss on account of such short positions. Accordingly, naked exposure through the following positions shall be considered unhedged short derivative exposure:

- Short Futures
- Short Call options
- Short Put options

B26. Whether a calendar spread strategy may be undertaken under SIF? If yes, would it be considered a hedging position, and would offsetting benefits be available for such position?

Yes. SIFs may undertake a calendar spread strategy, i.e., the simultaneous purchase and sale of futures on the same underlying with different expiries. Such a strategy would be regarded as a hedged position. However, no offsetting benefit would be available for either position, since offsetting benefits are permitted only for derivative positions where both the underlying and the maturity are the same.

B27. Whether unhedged long exposure through derivative positions shall be considered under the 25% unhedged short exposure?

No. Unhedged long exposure is treated as regular exposure and is not counted within the 25% limit. The ISID should separately disclose exposure for hedging and arbitrage.

B28. Whether derivative positions under an SIF investment strategy can be offset against one another?

The Offsetting of transactions as specified in clause 21.6.1d and Annexure 13A of MF Master Circular, highlights illustrative scenarios for offsetting of positions. Further, offsetting between two derivative contracts shall be permitted only where both contracts are on the same underlying security and have the same expiry date.

B29. Whether long and short derivative positions in the same underlying security, but having consecutive expiry dates, can be treated as offsetting positions?

No. To qualify as an offsetting position, the derivative contracts should be on the same underlying security and have the same expiry date. Accordingly, positions having consecutive

or otherwise different expiry dates, including strategies such as calendar spreads, will not be treated as offsetting positions.

B30. Whether partly paid-up shares, warrants, differential voting rights or rights entitlements can be offset against a short derivative position in the same underlying security?

No. For example, a long position in partly paid-up shares, differential voting rights or rights entitlements of ABC security cannot be offset against a short position in ABC futures.

B31. Whether the purchase of a Nifty put option against a basket of stocks will be treated as unhedged short derivative exposure?

No. Although purchasing index put options against individual stocks that are constituents of the index may reduce the risk of the stock basket, and such a position is permitted, it would not qualify for offsetting benefits.

B32. Whether SIF is permitted to write options under its investment strategies?

Yes, SIF is permitted to write exchange traded equity/debt derivative options under its investment strategies.

B33. Can a call option written under a covered-call strategy be treated as a hedged position?

Yes. Since SIF investment strategies are permitted to take unhedged short exposure, unlike mutual funds, the restrictions relating to covered-call strategies specified under Clauses 13.15.1(a) and 13.15.1(b)(i) of the MF Master Circular do not apply to SIFs. Accordingly, covered-call positions on underlying stocks may be treated as hedged positions for the purposes of SIFs.

B34. Whether straddle or strangle strategies are permitted under SIF?

Yes. All possible derivative strategies, including straddle/Strangle strategies, are permitted under the SIF.

B35. How shall derivative exposure be computed for straddle or strangle strategies? Would any offsetting benefit be available for such positions?

Straddle and strangle strategies involve the simultaneous purchase or sale of a call option and a put option, resulting in both bullish and bearish exposure at the same time. Accordingly, only one leg of a straddle or strangle strategy shall be treated as an offsetting position.

An illustration of the above treatment is provided below for reference:

Strategy	Combination	Exposure to be considered	Offset permitted
Long straddle	Buy call + buy put of the same strike and expiry	Higher of the call-option or put-option exposure	Yes
Short straddle	Sell call + sell put of the same strike and expiry	Higher of the call-option or put-option notional value	Yes
Long strangle	Buy call + buy put of different strikes and the same expiry	Higher of the call-option or put-option exposure	Yes
Short strangle	Sell call + sell put of different strikes and the same expiry	Higher of the call-option or put-option notional value	Yes

Note: The exposure arising from Short Straddle or Short Strangle positions, after permissible offsetting, should be considered for the 25% unhedged short exposure limit.

Illustration: ABC Ltd. has a current market price of ₹1,210 and a lot size of 500. Its 1200 CE trades at a premium of ₹10 and its 1200 PE, with the same expiry, trades at a premium of ₹5.

Strategy	Combination	Exposure calculation	Exposure after offsetting benefit
Long straddle	Buy 1200 CE (1 lot) + buy 1200 PE (1 lot)	CE: ₹10 × 500 = ₹5,000 PE: ₹5 × 500 = ₹2,500 Gross exposure: ₹7500	₹5,000

Strategy	Combination	Exposure calculation	Exposure after offsetting benefit
Short straddle	Sell 1200 CE (1 lot) + Sell 1200 PE (1 lot)	CE: ₹1,210 × 500 = ₹6,05,000 PE: ₹1,210 × 500 = ₹6,05,000 Gross exposure: ₹12,10,000	₹6,05,00

B36. Whether SIF investment strategy is required to maintain a minimum short exposure at all times?

No. A SIF investment strategy is not required to maintain a minimum unhedged short exposure. Further, there is no maximum period prescribed for which a strategy should remain without an unhedged short position.

B37. Whether a debt-oriented SIF investment strategy is permitted to take exposure to over-the-counter derivatives for purposes other than hedging and portfolio rebalancing?

No. For purposes other than hedging and portfolio rebalancing, including taking short exposure, the SIF Circular permits only exchange-traded derivatives. Accordingly, the 25% unhedged short exposure of a Sectoral Debt Long-Short Fund cannot be taken through over-the-counter derivatives.

However, OTC instruments that are otherwise permitted for mutual fund schemes, including the buying and selling of Credit Default Swaps (CDS), Interest Rate Swaps (IRS), etc., are also permitted for SIFs, subject to the appropriate guidelines as applicable.

B38. Whether a Debt Long-Short Fund is permitted to take unhedged short exposure through exchange-traded debt derivatives?

Yes. SIF can use only exchange-traded debt derivatives to take unhedged short exposure.

B39. In a Sectoral Debt Long-Short Fund, whether exposure can be taken in a short position in G-Sec, while having a long position on different tenor G-Sec?

No. Under the current provisions, in the case of a Sectoral Debt Long-Short Fund, short exposure is considered at the sector level and applies to all instruments of that particular sector held in the portfolio. Therefore, simultaneous long and short exposure in G-Secs is not permitted under a Sectoral Debt Long-Short Fund.

B40. Whether a short position in exchange-traded commodity derivatives can be classified as unhedged derivative exposure under an Active Asset Allocator Long-Short Fund?

No. The permitted unhedged short derivative exposure of up to 25% is limited to equity and debt instruments only. Presently, SIFs are not permitted to undertake unhedged short positions in exchange traded commodity derivatives.

B41. Whether unhedged short exposure in equity can be taken through both stock and index futures or options?

Yes. Unhedged short positions may be taken through stock or index derivatives, subject to the 25% limit. However, an Equity Ex-Top 100 Long-Short Fund may take such exposure only in stocks outside the top 100.

B42. Is the 20% limit on option premium paid/received, as applicable to mutual funds, also applicable to SIF investment strategies?

Yes. Clause 13.18.3 of MF Master Circular, which provides that the total gross exposure related to option premium paid and received shall not exceed 20% of the net assets of the mutual fund scheme, is also applicable to SIF investment strategies.

4. Redemption and Notice Period

B43. Whether implementation of a notice period is mandatory for a SIF investment strategy?

No. An AMC may prescribe a notice period based on the structure and liquidity profile of the investment strategy.

B44. How does the notice period for redemption under an SIF investment strategy operate?

Investors can submit redemption requests only during the notice period stated in the ISID. Requests received within that period and before the applicable cut-off time are processed at the

NAV applicable on the specified redemption date or frequency disclosed in the offer document. Requests received outside the notice period may be rejected.

Example: If a Hybrid Long-Short Fund permits redemption on the 30th of each month and accepts requests from the 15th to the 20th, an investor should submit the request during that window. The request should be processed at the NAV applicable on the 30th of the month, or on the preceding business day if 30th is not a working day.

B45. What is the meaning of 'minimum redemption frequency' for SIF investment strategy?

It means how often an investor should be given an opportunity to redeem units under an SIF investment strategy. The applicable frequency should be disclosed in the ISID.

- Equity-oriented strategies: Daily or a lower frequency. This means, the redemption frequency of Equity-oriented investment strategies could be daily, alternate days, weekly, monthly or such any other frequency.
- Debt-oriented strategies: Once a week or a lower frequency. This means, the redemption frequency of Debt-oriented investment strategies could be once a week, fortnightly, monthly or such any other frequency, but now higher frequency such as daily or twice in a week.
- Hybrid strategies: Twice a week or a lower frequency.

5. Disclosures and Compliance

B46. What are the requirements applicable to the determination and disclosure of risk bands for SIF investment strategies?

At the launch of an investment strategy, the SIF should assign a risk level based on the strategy's characteristics. The risk band shall be reviewed monthly and disclosed for every investment strategy on the AMC's website.

B47. When shall the portfolios of Investment strategies be disclosed?

The SIF should disclose the portfolio of each investment strategy, including derivative positions, as at the end of every alternate month - May, July, September, November, January and March. Such disclosures should also be made on the AMC's and AMFI's websites within 10 calendar days after the end of the relevant month.

B48. Where the performance of an SIF investment strategy is advertised, is the performance of other schemes or strategies managed by the same Fund Manager(s) also required to be disclosed?

Yes. The provisions under Clause 14.2.6 of MF Master Circular shall continue to be applicable to investment strategies of SIF as well.

B49. Whether Statement of Additional Information (SAI) can be common to an SIF and the mutual fund schemes of the AMC?

Yes. The Statement of Additional Information (SAI) can be common to both the SIF and the mutual fund schemes.

B50. Whether sector-exposure exclusions and additional exposure to housing finance companies specified under Clause 13.1.8 of the MF Master Circular are applicable to SIF?

Yes. Under Regulation 47(2), read with Clause 21.5.5(a) of the MF Master Circular, the exclusions for specified securities and the additional exposure permitted for housing finance companies under Clause 13.1.8 of the MF Master Circular also apply to SIF.

B51. Whether LRAR and LR-CRAR requirements are applicable to debt-oriented SIF investment strategies?

No. The liquidity-risk-management framework prescribed by AMFI and Clause 5.7.4 of the MF Master Circular do not apply to debt-oriented SIF strategies because they are interval investment strategies.

B52. Whether 'skin in the game' requirements are applicable to SIF investment strategies?

Yes, 'skin in the game' requirements are applicable to SIF investment strategies. The SIF Circular does not provide an exemption from the mandatory investment requirement for designated employees. However, the minimum investment threshold of ₹10 lakhs for SIF investment does not apply to such mandatory investments.

B53. Whether requirements relating to trade execution and allocation under the MF Master Circular are applicable to SIF?

Yes. In line with the Clause 7.15 of the MF Master Circular, read with Regulation 47 (2) of MF Regulations, the trade-execution and allocation requirements, as applicable to the Mutual

Funds, are also applicable to SIF. This includes requirements relating to clubbing of orders and pro-rata allocation for initial public offers and reverse book-building transactions.

B54. Whether SIF investment strategies are required to be included in regular and ad hoc reporting sought by SEBI or AMFI in respect of mutual fund schemes?

Yes, unless otherwise specified.

B55. Whether compliance with the associate-broker business limit and minimum RFQ-trade requirement to can be monitored on a consolidated basis for the mutual fund schemes and SIF investment strategies of an AMC?

Yes. Compliance should be monitored by aggregating the transactions of the mutual fund and SIF under the AMC.

B56. Whether portfolio-overlap requirement as applicable to sectoral or thematic mutual fund schemes also apply to SIF investment strategies?

No.

B57. Whether Prohibition of Market Abuse Circular applicable to an SIF?

Yes.

C. FAQs for Distributors and Other Distribution Partners

1. Eligibility, certification and registration

C1. Who is permitted to distribute SIF products, and what certification requirements are applicable?

A mutual fund distributor can distribute SIF products after obtaining the NISM Series V-D - Mutual Fund - Specialized Investment Fund Distributors Certification and registering with AMFI. A person holding a valid NISM Series V-D certification may distribute both SIF and mutual fund products and need not separately obtain the NISM Series V-A certification.

C2. Whether valid ARN is required for distribution of SIF products?

Yes. A SIF distributor must hold a valid ARN.

C3. Whether a distributor who only wishes to distribute mutual funds can continue with NISM Series V-A certification?

Yes. A person engaged only in the sale and/or distribution of mutual fund products may continue to comply with the NISM Series V-A certification requirement and a valid ARN.

C4. What are the transitional provisions applicable to distributors holding a valid NISM Series XIII certification?

A distributor who has obtained a valid NISM Series XIII certification on or before September 21, 2026 may continue to distribute SIF products until the expiry of such certification, provided the distributor also holds a valid NISM Series V-A certification during that period. Thereafter, the distributor should obtain NISM Series V-D certification to continue distributing SIF products.

C5. Which NISM certification is required by Fund manager managing SIF?

Presently, no NISM certification has been prescribed specifically for SIF's fund managers.

C6. Whether certification requirement applies to an Employee Unique Identification Number(EUIN) holder or sales employee of a non-individual distributor?

Yes, it is mandatory. The investment received under Regular Plan must carry valid ARN/EUIN and also both – ARN and EUIN (mentioned in the application form) having cleared/valid NISM Series-V-D certification.

2. Empanelment, remuneration and investor servicing

C7. Whether there are any specific agreements/addenda required for RIA/ Channel Partners?

Partner agreements with AMCs can be extended to SIF with an addendum if NISM Series V-D is cleared and AMFI registration is completed.

C8. How is commission or brokerage for SIF distribution determined?

Brokerage structure and rates for SIF Investment Strategies will follow as those specified by AMC. The circulars prescribed by AMFI for the ARN holders will also be applicable to the distributors selling/distributing SIF.

C9. How are transaction confirmations and rejection or NIGO communications handled?

Transaction confirmations, reverse feeds and rejection or Not in Good Order (NIGO) communications are handled through the systems and processes specified by the AMC, RTA or authorized platform. Distributors should ensure that investors receive the prescribed communication and a clear reason where a transaction is not processed.

C10. What key matters should a distributor explain before facilitating an investment in a SIF?

The distributor should explain, in clear language:

- the relatively higher-risk nature of the product;
- the ₹10 lakh PAN-level threshold and the consequences of an active or passive breach;
- the strategy's objective, asset allocation, derivatives exposure, Risk-band and scenario analysis; and
- the subscription and redemption frequency, notice period, liquidity-management tools, fees, expenses and exit load, if any.