

Indian Association of Alternative Investment Funds (IAAIF)

Advocacy Initiatives

- Indian Association of Alternative Investment Funds is a non profit organization aiming to promote and develop the Alternative Investments industry in India
- To be an all encompassing body, we have ensured an industry wide participation and have members who are not only asset managers, but also experts from other fraternities like legal, compliance, technology etc.
- The key objective is to have a wholesome perspective on a diverse range of aspects impacting the industry and act as a key catalyst in enhancing the functioning of the industry



Charter Members



Affiliate Members





- To provide a professional forum for our membership and act as a catalyst and promoter of the Alternative Investment Industry's development in India.
- To be the pre-eminent voice for the Alternative Investment industry
- To benefit the global community by establishing, upholding and promoting worldwide professional standards in alternative investment advisory
- Advocacy of high ethical behavior and best practices.
- Promoting networking and information flow among market participants
- Curating industry focused high quality education programs, events and investor education initiatives

AIPAC 1 Recommendation Feb 2016 – Advocacy Initiative to SEBI



- **Pension fund allocation**

Domestic pension funds in India, including those managed/ regulated by PFRDA (National Pension System-NPS) and the Employee Provident Fund Organization (EPFO), should allocate up to 3% of their assets to AIF by 2017, rising to 5% by 2020, as they gain more experience. **It is recommended that AIF** mentioned above should include all categories of AIF including CAT III for the purpose of Investments

- **Accredited Investor Concept**

Recommended criteria should be based in Minimum income instead of minimum investments

- **Minimum Investment Limit**

Minimum investment can be lowered down for AIF to 25 lakhs

- **Regarding Sub categorization of AIF CAT III**

This sub-classification for an AIF should duplicate the products already available in the market for the retail investors with a higher minimum investment amount

- **Taxation Clarity**

We strongly recommended that the tax rules applicable to “investment funds” in Chapter XII-B of the Income Tax Act should be extended to all categories of AIF’s without any provisions or restrictions.

- **Commodities Trading**

AIFs could be allowed to invest in the all asset classes available under SEBI i.e. commodity and currency derivatives.

- **AIF – AMC – 20/25 Rule**

To provide a level playing field to AIFs with a sponsor entity having Mutual Fund Arm, it is recommended that the 20/25 rule be relaxed for AIF business

- **Investment Restrictions**

Category III AIFs should be allowed to invest in AIFs like hedge funds, private equity funds, REITs, or any other investment vehicle etc incorporated outside India. The limit of 25% could be raised with appropriate checks.

September/October 2016 - Advocacy Initiative to RBI

- **Regulation Clarity sought for FPI permitted securities vs. AIF Investments**

IAAIF has sent recommendation to RBI on clarifying the applicability of sectoral caps and conditions / restrictions, on Alternative Investment Fund Category III in order to remove the operational difficulties AIF's are facing to comply with such FPI Investment limits.

Nov 2016 - Advocacy Initiative to CCIL

- AIF Fund(s) are subject to supervision of SEBI and have to adhere to strict compliances with regards to Risk Management, Investment Restrictions, and adherence to Valuation Policy & Credit Risk Policy, Asset Liability Management and Compliance monitoring systems. It's recommended that AIF funds should be allowed membership for CCIL for participation in CBLO Segment

AIPAC 2 Recommendations – Jan 2017 – Advocacy Initiative to SEBI



- We have strongly agreed to following recommendations:
 - greater mandatory disclosure in private placement memoranda
 - quarterly reporting by AIFs including summary of management decisions and financial statements package, recommendations on AIF performance data
 - Recommendations for Cat III AIFs:
 - to be permitted to anchor participation in IPOs,
 - invest in foreign securities, with an Indian connection, within limits set by RBI and by SEBI for venture capital funds,
 - compute ‘investible funds’ by reference to market values,
 - determine leverage as per the formulae and methods used by the Alternative Investment Fund Management Directive
 - Recommendation for Liberalizing the Ownership Test to Determine Indian Owned & Controlled Fund Managers
 - Make the tax pass through system work effectively and efficiently
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AIPAC 2 Recommendations – Jan 2017 – Advocacy Initiative to SEBI



- Sought more taxation clarity on disclosures on final closing based on IRR calculated on net of taxes as investor pool is subject to different tax rates.
 - Partially agreed to the recommendations on enhancements in the periodic- monthly or quarterly- reporting by AIFs to SEBI such that individual fund performance data can be captured which, in turn, can be used to create industry benchmarks
 - We have agreed to recommendations on the process for the transfer of units; to provide a mechanism for investors to transfer units before the end of a Fund's life.
 - We have also agreed to recommendations to promote Angel Investments by Angel funds:
 - Lower Holding Period of Angel investments to 1 year
 - Extend period of investing to atleast 5 years
 - Lower the minimum investment in a portfolio company to Rs. 25 Lakhs
 - Allow angel funds to have a maximum of 200 members
 - Allow at least 10% of the angel fund's portfolio investments to be companies that may have been incorporated more than 3 years prior to the investment
 - Allow Angel funds to invest in overseas venture fund undertakings the same percentage of their corpus as permitted for Category I AIFs
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- **Participation:** IAAIF aims to have an increased participation from industry leaders hailing from different genres of specialization who can bring an array of perspectives, that will add further to the credibility to our endeavors in different areas
 - **Centralized body:** A non regulatory centralized body is essential for the growth of any industry. We aim at becoming such an organization which can engage at different levels in the value chain and enable overall growth and development of the industry as a whole
 - **Investor/ Industry Education:** We exist in an extremely dynamic world, and the only way of survival is to keep up! In order to encourage the same, we intend to collaborate with reputed partners and offer high quality knowledge enhancements
 - **Global Standards:** We are a young industry and as we flourish, we would need to adapt ourselves to the ever evolving global standards. We intend to engage with similar bodies globally and help in the evolution of the AIF industry on a strong foothold
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