

ALTERNATIVE INVESTMENT FUND



SEBI TACKLES COMPLIANCE CHALLENGES FOR CATEGORY II AIFs UNDER SEBI AIF REGULATIONS, 2012

Securities and Exchange Board of India (“SEBI”) in its 209th board meeting dated March 24, 2025, has addressed the compliance challenges faced by Category II Alternative Investment Funds (“**Category II AIFs**”) due to the recent amendment to SEBI Listing Obligations and Disclosure Requirements Regulations, 2015 (“**SEBI LODR Regulations**”).

Currently, Category II AIFs are required to invest primarily in unlisted companies, in accordance with Regulation 17(a) of the Alternative Investment Funds Regulations, 2012 (“**AIF Regulations**”). However, after the introduction of Regulation 62A of SEBI LODR Regulations, any entity that had issued listed non-convertible debt securities (“**NCDs**”) on or before January 1, 2024, which continued to be listed, is not permitted to issue unlisted NCDs. Additionally, in case an entity proposes to issue any listed NCDs on or after January 1, 2024, then its unlisted NCDs which were previously issued, are mandatorily required to be listed. With these changes, there is a likelihood that debt securities that could have been issued in unlisted form, will now have to be listed. The resultant drop in availability of unlisted debt securities can create hindrance for the AIFs in complying with the minimum investment norms in unlisted securities.

In order to address this issue, SEBI has allowed Category II AIFs to treat their investment in listed debt securities with a credit rating of ‘A’ or below equivalent to investment in unlisted securities, to meet the minimum investment requirement in unlisted securities under the AIF Regulations.

To read the press release on board meeting [click here](#)

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