

Definitions

Reg. 2 (iii)

The “**Eligible Investor**” criteria have been amended, now a person should have **net assets of at least Rs. 15 million excluding the value of personal residence.**

Reg. 2 (xiii)

The “**Private Equity and Venture Capital Fund**” [“ Fund”] now can **also** invest in **financial assets other than derivatives** and **units of other Private Equity and Venture Capital Fund** for investment by the Fund.

Conditions for Launch of Private Fund

Reg. 4 (i)

Private Fund, **in addition to a trust, may also be established as a company** under Companies, Act 2017, **or as limited liability partnership** (LLP) under LLP Act 2017 or any other legal structure as approved by the Commission.

Procedure for Registration

Reg. 5 (2)

The registration of a Private, Fund other than as a Trust, would require documents, namely: **draft Memorandum of Association or draft Limited Liability Partnership Agreement** along with custodian agreement will be required for approval of the Commission.

Reg. 5 (3)

After the approval of the Commission, Private Fund Management Company, if it opts to form a legal entity other than a trust, would need to **incorporate Company** or **register limited liability partnership.**

Reg. 8 (i)

The minimum equity requirement to establish a Private Fund Management Company has been **reduced from Rs.30 million to Rs. 10 million.**

Reg. 8 (iia – new insertion)

Private Fund to assess financial sector experience, risk tolerance and net worth of eligible investor prior to making offer to eligible investor.

Minimum Investment in a Private Fund

Reg. 9 (i)

The minimum threshold of Rs. 3 million of making or accepting initial offer has now been **removed.**

Reg. 9 (iv)

Maximum limit of **total number of Eligible Investors** (other than Qualified Institutional Buyer) in a Private Fund **has now been increased from 30 to 50.**

Investment Conditions and Restrictions

Reg. 11 (3)

Private Fund Management Company which utilizes borrowing, in addition to existing conditions, is now required to ensure that:

- Short term borrowing by a Fund **not to exceed 15%** of the size of the Fund; and
- Any long term borrowing by a Fund to be repayable only on the date of maturity of that Fund or be obtained against an instrument convertible into equity.

Reg. 11 (5) – Inserted

Private Fund Management Company **may make investment in private funds** managed by it out of its surplus equity.

Reg. 11 (6 & 7) – Inserted

Private Fund can now be sub-categorized provided it has at least **70% of its net assets** in eligible investment of that sub-category.

Private Fund valuation and pricing

Reg. 13

Now, a Private Fund Management Company, is required to ensure that the Fund is **valued at least once** in a financial year **by an independent valuer** appointed with the consent of the trustee. However, a **fund sub-categorized** to be valued **once in two years.**

Application for Registration of Private Fund as Notified Entity

FORM – I, Clause B – Inserted

Now, following details of the Fund, inter alia, to be provided:

- Certified true copy of the Memorandum of Association or Limited Liability Partnership Agreement;
- Custodian Agreement;
- Certificate of incorporation/registration.

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