

Consultation paper on 'Green-Channel: AIF Rollout Upon Document Acknowledgement' (GARUDA) Mechanism for Processing of Placement Memorandum of Alternative Investment Funds (AIFs) filed with SEBI

1. Objective:

- 1.1. AIFs, as an asset class, are instrumental in channelizing the capital of sophisticated investors to companies in need. Given the rapid expansion of the AIF industry in recent years, efficient capital deployment plays a pivotal role in sustaining this momentum and unlocking value for the broader economy. In this context, SEBI has recently reviewed the procedure for processing Private Placement Memorandums (PPMs) of AIFs for launch of schemes/funds. This review considered the sophistication of AIF investors, the expertise of Merchant Bankers in performing due diligence of disclosures in the PPM, and extensive stakeholder consultations, aiming to streamline the scheme launch process.
- 1.2. It may be noted that AIFs launch schemes/funds under three different buckets/tags, with varying regulatory concessions depending on the sophistication of their investor base, as under –
 - 1.2.1. Large Value Fund for Accredited Investors ('LVF') - Scheme of AIF in which each investor is an Accredited Investor and invests minimum INR 25 Crore.
 - 1.2.2. Accredited Investor Only Scheme/Fund ('AI only scheme') - Scheme of AIF in which each investor is an Accredited Investor, with no minimum investment amount prescribed. [Note: Vide an amendment in SEBI (AIF) Regulations, 2012, Angel Funds can onboard and raise funds only from Accredited Investors].
 - 1.2.3. Non- Accredited Investor Scheme which excludes LVF, AI only scheme and Angel Fund (for ease of reference mentioned as 'Regular schemes' in this consultation paper) – Scheme of AIF which on-boards investors primarily based on minimum investment amount of INR 1 crore.
- 1.3. Recently, as an Ease of Doing Business Measure, a Fast-Track Mechanism has been adopted for launch of schemes (other than LVFs) by AIFs, placing reliance on due-diligence certificate and declarations from Merchant Bankers and AIF Managers/Sponsors in place of SEBI's review of PPM disclosures. Accordingly, as a first step (Phase 1), SEBI, vide circular dated April 30, 2026, *inter alia* clarified that AIFs may now proceed with the launch of their Regular schemes, AI only schemes & Angel Funds and begin soliciting funds from investors 30 days after filing their application with SEBI, provided they have not been otherwise advised by the regulator. This measure is intended to foster more efficient capital deployment by AIFs. SEBI will carry out scrutiny of scheme documents post-facto on sample basis, based on risk assessment and specific criteria. In case of any irregularity or lapse in the PPM, concerned entities will be liable for action.
- 1.4. The purpose of this consultation paper is to further ease the process of scheme launch by AIFs (Phase 2) through amendment to relevant provisions in SEBI (AIF) Regulations, 2012. In this context, the objective of this consultation paper is to seek comments from public/stakeholders on the following proposals:

1.4.1. For Regular schemes:

1.4.1.1. To facilitate launch of new schemes by AIFs after **10 working days** of filing the application with SEBI through a Merchant Banker, unless otherwise advised.

1.4.1.2. To facilitate launch of first schemes from the date of grant of SEBI registration (or) after 10 working days of filing of application with SEBI, whichever is later;

1.4.2. For AI only schemes –

1.4.2.1. To facilitate Manager of AIF to file PPM directly with SEBI in place of filing it through Merchant Banker.

1.4.2.2. To replace requirement of filing of Merchant Banker Due Diligence certificate with the Undertaking by Chief Executive Officer of Manager (or person holding equivalent role or position depending on the legal structure of Manager) and Compliance Officer of Manager of AIF.

1.4.2.3. To facilitate immediate launch of first scheme from the date of grant of SEBI registration and to facilitate immediate launch of new schemes upon filing of PPM with SEBI along with the aforementioned Undertaking by Chief Executive Officer of Manager (or person holding equivalent role or position depending on the legal structure of Manager) and Compliance Officer of Manager of AIF.

1.4.3. For Angel Funds –

1.4.3.1. To facilitate Manager of AIF to file PPM directly with SEBI in place of filing it through Merchant Banker.

1.4.3.2. To replace the requirement of filing of Merchant Banker Due Diligence certificate with the Undertaking by Chief Executive Officer of Manager (or person holding equivalent role or position depending on the legal structure of Manager) and Compliance Officer of Manager of AIF.

1.4.3.3. To facilitate immediate circulation of PPM to their investors for soliciting funds from the date of grant of SEBI registration.

Resulting regulatory compliance and launch process for new schemes is provided in the diagram given at para 3.6.3.

2. Existing regulatory framework for processing of scheme applications of AIFs:

2.1. Regulation 12 of SEBI (AIF) Regulations, 2012 (“**AIF Regulations**”), *inter-alia*, lays down norms for launch of scheme/ fund of AIFs as under:

2.1.1. The AIF may launch schemes subject to filing of placement memorandum (PPM) with SEBI.

2.1.2. Such PPM shall be filed with SEBI through a merchant banker at least thirty days prior to launch of scheme along with the prescribed fees.

2.1.3. SEBI may communicate its comments, if any, to the merchant banker prior to launch of the scheme and the merchant banker shall ensure that the comments are incorporated in the placement memorandum prior to launch of the scheme.

2.1.4. The requirements at para 2.1.2 and 2.1.3 above shall not apply to LVFs.

Similar provisions pertaining to raising of funds through private placement by Angel Funds by issue of placement memorandum are provided in Regulation 19 of AIF Regulations.

2.2. Upon filing of PPM with SEBI, till recently, SEBI had been reviewing the disclosures made in PPMs, Merchant Banker Due Diligence Certificate, etc. and providing comments, if any, to Merchant Banker/AIF. Thereafter, Merchant Banker/the AIF would carry out necessary changes incorporating the SEBI comments and submit revised PPM/ other documents to SEBI for taking the same on record. Once the PPM was taken on record, the scheme would be launched and the PPM circulated to prospective investors. Recently, the above procedure was revised and a fast track mechanism, as indicated at para 1.3 above, is currently in place.

3. Issues under consideration and Proposals:

3.1. Growth of the AIF industry and increased inflow:

3.1.1. The industry has been growing rapidly, with the number of AIFs as of March 31, 2026 standing at 1849, a significant progress in comparison to 732 AIFs by end of March 31, 2021, constituting a 135% growth in the last 5 years.

3.1.2. The cumulative commitments raised by AIFs amounts to INR 15.74 lakh crores and net investments made amounts to INR 6.45 lakh crores as on December 31, 2025, both growing at roughly 30% CAGR over the last 5 years.

3.1.3. With the rapid expansion of the industry, the inflow of applications has also surged commensurately as may be evidenced from the numbers given below:

| No. of applications | FY 2024-25 | FY 2025-26 | FY 2026-27# |
|----------------------------|------------|------------|-------------|
| Registration Applications | 313 | 407 | 529 |
| First Schemes Applications | 313 | 407 | 529 |
| New Scheme Applications | 155 | 266 | 456 |

considering 30% increase in the number of registration applications/ first schemes and 72% increase in new scheme applications (similar to that from Mar-2025 to Mar-2026.)

As on March 31, 2026, total 183 scheme applications were pending – 124 first schemes and 59 new schemes.

3.2. It may be noted that SEBI has taken various steps in the past to streamline the processing of registration/scheme launch applications and standardize the disclosures made in the PPM so that investors make an informed decision basis the same. In order to ensure that a minimum standard of disclosure is available in the PPM of AIFs, templates for PPMs were introduced vide a SEBI circular dated February 05, 2020.

3.3. Further, to tackle the issue of errors and deficiencies (often recurring) observed in the PPM, the requirement of filing of PPM with SEBI through SEBI registered Merchant Banker was introduced vide SEBI circular dated October 21, 2021. Merchant Bankers have gained sufficient experience in conducting due diligence of the disclosures in the PPMs in the time period of five years since the introduction of Merchant Banker requirement in October 2021.

3.4. SEBI reviewed the procedure for processing of PPMs filed with SEBI and operationalized a Fast-Track Mechanism, vide a circular dated April 30, 2026, as detailed in para 1.3 above.

3.5. Accredited Investors (AIs):

3.5.1. AIs are investors who meet commensurate net-worth and/or income criteria specified by SEBI & are accredited by a third-party accreditation agency after verification. AIs are considered to be a class of investors who have an understanding of various financial products and the risks-returns associated with them and hence, are able to take informed decisions regarding their investments. They are also perceived to be well-advised, due to their ability to hire expert managers/ advisors and well-informed with sufficient financial acumen.

3.5.2. Traction in accreditation:

3.5.2.1. The current accreditation numbers indicate growing traction in accreditation. The number of AIs as of April 30, 2026 stands at 2773, a growth of 327% in the last 11 months compared to 649 AIs by end of May 2025.

3.5.2.2. Further, based on data on investors accredited by accreditation agencies ('certified AIs'), data available on deemed AIs and also information collected from depositories, it is observed that sum of par value of AIF units held by AIs, deemed and certified, amounts to INR 1,91,164 Crore as on December 31, 2025, which is roughly 30% of the total investments by the AIFs.

3.6. *Proposals for consideration* - 'Green-Channel: AIF Rollout Upon Document Acknowledgement' (GARUDA) Mechanism:

3.6.1. *Proposal 1: - Reduction in the timeline for launch of Regular schemes –*

3.6.1.1. Considering the limited review by SEBI as per revised procedure as stated at para 1.3 above, there is a scope to reduce the timeline of 30 days prescribed in AIF Regulations for filing of PPM prior to scheme launch.

3.6.1.2. Accordingly, it may be deemed appropriate that AIFs be allowed to launch new schemes after 10 working days of filing of application with SEBI, unless otherwise advised.

3.6.1.3. In case of first scheme of AIFs, AIFs may proceed with launch of such schemes from the date of grant of SEBI registration (or) after 10 working days of filing of application with SEBI, whichever is later.

This would further enable faster and efficient deployment of capital by AIFs.

3.6.2. *Proposal 2: For AI only schemes and Angel Funds - Exemption from filing through Merchant Banker and immediate launch of scheme/ fund –*

3.6.2.1. AIs are perceived to possess adequate financial sophistication and risk appetite to evaluate complex products independently. Considering various factors such as level of sophistication of AIs, etc., investments by such AIs are not subject to the same regulatory oversight w.r.t investor protection as applicable to investments by other investors. Accordingly, there are certain relaxations to AIs under the respective SEBI Regulations.

3.6.2.2. Subsequently, in 2025, AI only schemes limited exclusively to AIs with lighter touch framework was introduced. Further, as a long term vision, it has been envisaged that AIF schemes shall have investor base constituting of only AIs.

3.6.2.3. In continuation to this regulatory approach, funds/ schemes having only AI investor base should have certain operational flexibility to enable faster deployment of capital.

3.6.2.4. In order to give further fillip to accreditation in the AIF ecosystem, additional regulatory relaxation may be warranted for AI only schemes and Angel Funds [*Vide an amendment in SEBI (AIF) Regulations, 2012, Angel Funds can onboard and raise funds only from Accredited Investors*], as given below:

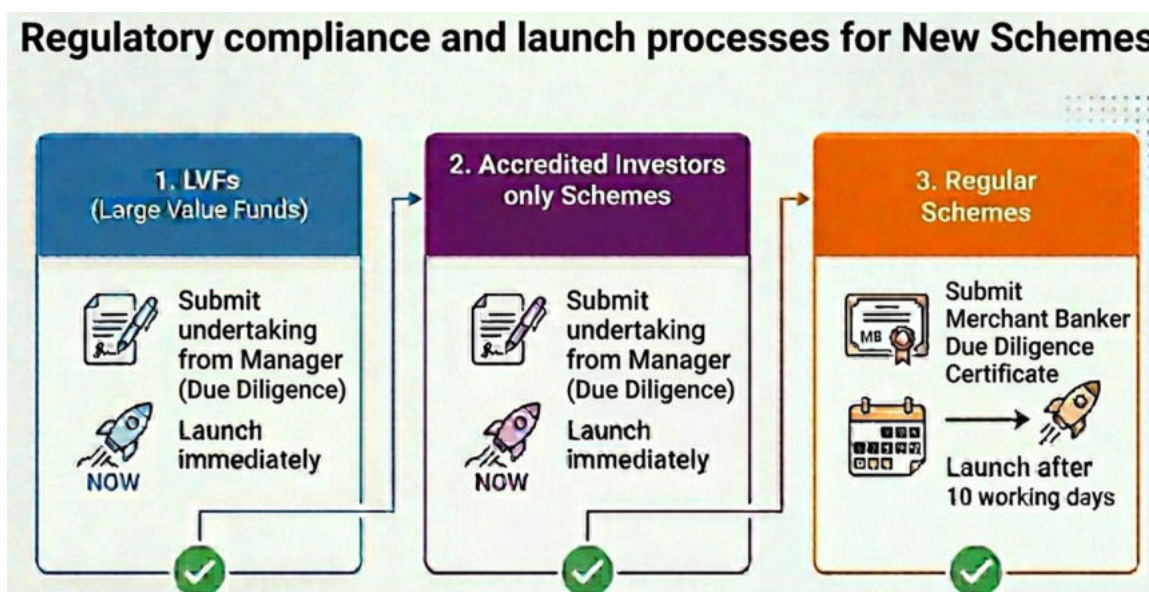
a) For AI only schemes –

- i. To facilitate Manager of AIF to file PPM directly with SEBI in place of filing it through Merchant Banker.
- ii. To replace requirement of filing of Merchant Banker Due Diligence certificate with the Undertaking by Chief Executive Officer of Manager (or person holding equivalent role or position depending on the legal structure of Manager) and Compliance Officer of Manager of AIF.
- iii. To facilitate immediate launch of first scheme from the date of grant of SEBI registration and to facilitate immediate launch of new schemes upon filing of PPM with SEBI along with the aforementioned Undertaking by Chief Executive Officer of Manager (or person holding equivalent role or position depending on the legal structure of Manager) and Compliance Officer of Manager of AIF.

b) For Angel Funds–

- i. To facilitate Manager of AIF to file PPM directly with SEBI in place of filing it through Merchant Banker.
- ii. To replace requirement of filing of Merchant Banker Due Diligence certificate with the Undertaking by Chief Executive Officer of Manager (or person holding equivalent role or position depending on the legal structure of Manager) and Compliance Officer of Manager of AIF.
- iii. To facilitate immediate circulation of PPM to their investors for soliciting funds from the date of grant of SEBI registration.

3.6.3. In essence, SEBI may adopt the following approach for new schemes:



3.7. The draft changes proposed in the AIF Regulation/circular, in line with this proposal, is also given in the table at [Annexure A](#).

3.8. As stated at para 1.3 above, scrutiny of scheme documents will continue to be carried out by SEBI post-facto on sample basis, based on risk assessment and specific criteria. In case of any irregularity or lapse in the PPM, concerned entities shall be liable for action.

4. Stakeholder consultation and Comparative study:

4.1. The various ways to reduce time taken for processing of scheme applications were discussed with AIF industry association- Indian Venture & Alternate Capital Association (IVCA) and industry participants.

4.2. The practices/procedures followed in other jurisdictions were also examined. It was seen that IFSCA also initially started with review of disclosures in PPMs and subsequently over a period of time stopped such review and put reliance on the due diligence certificate provided by the applicant while processing scheme applications of AIFs.

4.3. Further, it is understood that a similar approach is adopted by Securities Commissions - Malaysia. Scrutiny of scheme documents is done post-facto on sample basis selected based on risk assessment.

4.4. IVCA and industry participants have also supported the proposal that SEBI may also follow a similar approach as that of various other comparable jurisdictions. Further, the Alternative Investment Policy Advisory Committee (AIPAC) in its meeting held on April 28, 2026 deliberated and recommended the proposals mentioned at para 3.6 above.

5. Public comments:

5.1. Considering the implications of the aforementioned matters on the market participants, public comments are invited on the following proposals:

| Proposals for consideration: | |
|-------------------------------------|--|
| Proposal 1. | For Regular schemes: To facilitate launch of new schemes by AIFs after 10 working days of filing the application with SEBI through a Merchant Banker, unless otherwise advised and to facilitate launch of first schemes from the date of grant of SEBI registration (or) after 10 working days of filing of application with SEBI, whichever is later. |
| Proposal 2. | For AI only schemes and Angel Funds – To facilitate Manager of AIF to file PPM directly with SEBI in place of filing it through Merchant Banker and requirement of filing of Merchant Banker Due Diligence certificate may be replaced with the Undertaking by Chief Executive Officer of Manager (or person holding equivalent role or position depending on the legal structure of Manager) and Compliance Officer of Manager of AIF |
| Proposal 3. | For AI only schemes – To facilitate immediate launch of first scheme from the date of grant of SEBI registration and to facilitate immediate launch of new schemes upon filing of PPM with SEBI along with the aforementioned Undertaking by Chief Executive Officer of Manager (or person holding equivalent role or position depending on the legal structure of Manager) and Compliance Officer of Manager of AIF. |
| Proposal 4. | For Angel Funds – To facilitate immediate circulation of PPM to their investors for soliciting funds from the date of grant of SEBI registration. |

5.2. The comments / suggestions should be submitted latest by June 01, 2026, only via online web-based form through the following link:

<https://www.sebi.gov.in/sebiweb/publiccommentv2/PublicCommentAction.do?doPublicComments=yes>

5.3. In case of any technical issue in submitting your comment through web based public comments form, you may highlight the issues(s) to afdconsultation@sebi.gov.in, endorsing a copy to Mr. Vikash Narnoli at vikashn@sebi.gov.in and to Mr. Abhas Dipraj Langde at abhasl@sebi.gov.in, with the subject of the email as, “Consultation paper on ‘Green-Channel: AIF Rollout Upon Document Acknowledgement’ (GARUDA) Mechanism for Processing of Placement Memorandum of Alternative Investment Funds (AIFs) filed with SEBI”.

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Regulations/circular provisions pertaining to filing of PPM under AIF Regulations and proposed changes:

| Sr. No. | Extant Provisions in AIF Regulations/ Circulars | Proposed provisions (additions in bold and deletions in strikethrough) |
|---------|--|--|
| 1. | <p><u>Regulation 12(1), (2) & (3) of AIF Regulations:</u></p> <p><i>12. (1) The Alternative Investment Fund may launch schemes subject to filing of placement memorandum with the Board.</i></p> <p><i>(2) Such placement memorandum shall be filed with the Board through a merchant banker atleast <u>thirty days</u> prior to launch of scheme along with the fees as specified in the Second Schedule:</i></p> <p><i>Provided that payment of scheme fees shall not apply in case of launch of first scheme by the Alternative Investment Fund.</i></p> <p><i>(3) The Board may communicate its comments, if any, to the merchant banker prior to launch of the scheme and the merchant banker shall ensure that the comments are incorporated in the placement memorandum prior to launch of the scheme.</i></p> <p><i>Provided that the requirements under sub-regulation (2) and (3) shall not apply to large value fund for accredited investors.</i></p> | <p><u>Regulation 12(1), (2) & (3) of AIF Regulations:</u></p> <p><i>12. 1) The Alternative Investment Fund may launch schemes subject to filing of placement memorandum with the Board.</i></p> <p><i>2) Such placement memorandum shall be filed with the Board through a merchant banker atleast ten working days prior to launch of scheme along with the fees as specified in the Second Schedule:</i></p> <p><i>Provided that payment of scheme fees shall not apply in case of launch of first scheme by the Alternative Investment Fund.</i></p> <p><i>3) Comments, if any, provided by the Board, at any stage, shall be complied with by Merchant Banker or Manager of Alternative Investment Fund.</i></p> <p><i>Provided further that the requirements under sub-regulations (2) and (3) shall not apply to Accredited Investors only fund.</i></p> <p>[<u>Note:</u> ‘Accredited Investors only fund’ includes large value fund for accredited investors as per its definition provided in Regulation 2(1)(ac) of SEBI (AIF) Regulations, 2012]</p> |

| Sr. No. | Extant Provisions in AIF Regulations/ Circulars | Proposed provisions (additions in bold and deletions in strikethrough) |
|---------|---|--|
| 2. | <p>Regulation 19D (3), (4) & (5) of AIF Regulations:</p> <p><i>(3) Angel fund shall raise funds through private placement by issue of information memorandum or placement memorandum, by whatever name called.</i></p> <p><i>Provided that the provisions of the Companies Act, 2013 shall apply to the Angel Fund, if it is formed as a company.</i></p> <p><i>(4) Such placement memorandum shall be filed with the Board in the specified format through a merchant banker while filing the application for registration as an angel fund.</i></p> <p><i>(5) The Board may communicate its comments, if any, to the merchant banker and the merchant banker shall ensure that the comments are incorporated in the placement memorandum prior to its circulation to angel investors by the angel fund for soliciting funds.</i></p> | <p>Regulation 19D (3), (4) & (5) of AIF Regulations:</p> <p><i>(3) Angel fund shall raise funds through private placement by issue of information memorandum or placement memorandum, by whatever name called.</i></p> <p><i>Provided that the provisions of the Companies Act, 2013 shall apply to the Angel Fund, if it is formed as a company. [No change]</i></p> <p><i>(4) Such placement memorandum shall be filed with the Board in the specified format through a merchant banker while filing the application for registration as an angel fund.</i></p> <p><i>(5) The Board may communicate its comments, if any, to the merchant banker and the merchant banker shall ensure that the comments are incorporated in the placement memorandum prior to its circulation to angel investors by the angel fund for soliciting funds.</i> [Deletion]</p> |
| 3. | <p>Provisions of SEBI circular dated April 30, 2026:</p> <p>4.1 Launch of scheme/ circulation of PPMs for non-LVF schemes:</p> | <p>Proposed amendment in provisions of SEBI circular dated April 30, 2026:</p> <p>4.1 Launch of scheme/ circulation of PPMs for non-LVF and non-AI only schemes:</p> |

| Sr. No. | Extant Provisions in AIF Regulations/ Circulars | Proposed provisions (additions in bold and deletions in strikethrough) |
|---------|--|---|
| | <p>4.1.1 AIFs can proceed with launch of their new schemes and circulate the PPM to their investors for soliciting funds after 30 days of filing of application with SEBI, unless otherwise advised.</p> <p>4.1.2 However, in case of first scheme of AIFs, it is clarified that AIFs can proceed with launch of such schemes from the date of grant of SEBI registration (or) after 30 days of filing of application with SEBI, whichever is later.</p> <p>4.1.3 Comments, if any, provided by SEBI during this period of 30 days shall be complied with by Merchant Banker/ AIF prior to launch of the scheme/ circulation of PPM.</p> <p>4.2 Timeline for First close: Further, the first close of the scheme shall be declared not later than 12 months from the date on which the AIF becomes eligible to launch its scheme as stated at para 4.1.1 & 4.1.2 above.</p> | <p>4.1.1 AIFs can proceed with launch of their new schemes and circulate the PPM to their investors for soliciting funds after 10 working days of filing of application with SEBI, unless otherwise advised.</p> <p>4.1.2 However, in case of first scheme of AIFs, it is clarified that AIFs can proceed with launch of such schemes from the date of grant of SEBI registration (or) after 10 working days of filing of application with SEBI, whichever is later.</p> <p>4.1.3 Comments, if any, provided by SEBI during this period of 30 days shall be complied with by Merchant Banker/ AIF prior to launch of the scheme/ circulation of PPM. [Deletion, as similar provisions are proposed to be incorporated in SEBI (AIF) Regulations, 2012 stated - Sr. No. 1 above refers]</p> <p>4.2 Timeline for First close: Further, the first close of the scheme shall be declared not later than 12 months from the date on which the AIF becomes eligible to launch its scheme as stated at para 4.1.1 & 4.1.2 above. [No change]</p> |
| 4. | <p>Provisions applicable to all AI only schemes and Angel Fund:</p> <p>At present, Merchant Banker Due Diligence certificate is required for AI only schemes and Angel Fund while filing PPM with SEBI.</p> | <p>Proposed provisions to be applicable to all AI only schemes and Angel Fund:</p> <p>While filing the placement memorandum for AI only schemes and Angel Fund with SEBI, a duly signed and stamped undertaking by Chief Executive Officer of the Manager of the AIF (or person holding equivalent role or position depending on the legal structure of Manager) and Compliance Officer of Manager of the AIF shall be submitted in the specified format.</p> |