



SEBI clarifies on annual audit of AIF's PPM compliances First benchmarking report delayed till October 1, 2020 due to COVID-19

June 13, 2020

In the alternative investment funds (AIFs) space, SEBI had recently introduced templates for private placement memorandum (PPM), subject to certain exemptions, and mandatory performance benchmarking for AIFs with provisions for additional customized performance reporting. These changes were introduced vide SEBI circular dated February 5, 2020 (SEBI Circular, [available here](#)).

SEBI has now clarified on the audit timelines and made certain changes to the norms introduced by the SEBI Circular, as below:

- **Timelines for Annual Audit:** In order to ensure compliance with the terms of PPM, SEBI Circular had mandated AIFs to carry out an annual audit of PPM related compliance. In reference to such audit process, it has been now clarified that:
 - audit shall be conducted at the end of each Financial Year;
 - findings of audit along with corrective steps, if any, shall be communicated to the Trustee or Board or Designated Partners of the AIF, Board of the Manager and SEBI, within 6 months from the end of the Financial Year;
 - audit requirements shall not apply to AIFs which have not raised any funds from their investors. However, such AIFs will be required to submit a Certificate from a Chartered Accountant to the effect that no funds have been raised, within 6 months from the end of the Financial Year;
 - for the Financial Year 2019-20, the above requirements shall be fulfilled on or before December 31, 2020.
- **First benchmarking report extended from July 1, 2020 to October 1, 2020:** SEBI Circular had mandated that the first industry benchmark and AIF level performance versus Benchmark Reports should be available by July 1, 2020, for the performance upto September 30, 2019. However, in light of COVID-19, the timeline has been extended till October 1, 2020.
- **Association could be formed with 33% of AIFs instead of 51%:** SEBI Circular required an association of AIFs (Association), to be formed, which in terms of membership, represented at least 51% of the number of AIFs. The Association was tasked to notify one or more Benchmarking Agencies, with whom each AIF shall enter into an agreement for carrying out the benchmarking process. Now, the Association could be formed with 33% of AIFs in numbers.

Aforementioned clarification and changes have been brought by SEBI circular dated June 12, 2020 ([available here](#)).

We trust you will find this an interesting read. For any queries or comments on this update, please feel free to contact us at insights@elp-in.com

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