



# Non-Government Provident Funds, Superannuation Funds and Gratuity Funds can invest in units of AIF Category-I and Category-II

INSIGHTS

March 17, 2021

The Ministry of Finance has opened-up another avenue for investments by Non-Government Provident Funds, Superannuation Funds and Gratuity Funds. These funds can now invest in the units issued by Category-I and Category-II Alternative Investment Funds (AIF), regulated by SEBI. The investment is subject to certain conditions, mentioned below:

- **Permitted Category-I AIFs:** The permitted funds under Category-I are infrastructure funds, SME Funds, Venture Capital Funds and Social Venture Capital Funds as detailed in SEBI (Alternative Investment Funds) Regulations, 2012 (**AIF Regulations**);
- **Permitted Category-II AIFs:** For category II-AIF as per AIF Regulations, at least 51% of the funds of such AIF shall be invested in either of the infrastructure entities or SMEs or venture capital or social welfare entities;
- **Corpus requirement:** Funds shall invest only in those AIFs whose corpus is equal to or more than Rs. 100 crores;
- **Exposure to a single AIF:** The exposure to a single AIF shall not exceed 10% of the AIF Size. However, this limit would not apply to a Government sponsored AIF;
- **Restriction on investment in securities outside India:** Funds to ensure that investment should not be made directly or indirectly in securities of the companies or funds incorporated and/or operated outside India;
- **Conflict of interest:** The Sponsor of AIF should not be the promoter in the Fund or the promoter group of the Fund; and the AIFs shall not be managed by investment manager, who is directly or indirectly controlled or managed by the Fund or the promoter group of the Fund.

The investment has been allowed in the category wherein upto 5% can be invested by Non-Government Provident Funds, Superannuation Funds and Gratuity Funds. Further, the restrictions of investment to be only in listed instruments or fresh issues that are proposed to be listed, is not applicable in case of investment in units of AIF Category-I and Category-II, as mentioned above.

The afore-mentioned changes have been introduced by the notification dated March 15, 2021, issued by Department of Economic Affairs, Ministry of Finance ([available here](#)) by amending its earlier notification dated March 2, 2015 ([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](mailto:insights@elp-in.com)

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