



SEBI proposes 'Accredited Investors' framework aiming towards a flexible regulatory regime and bespoke investment products

INSIGHTS

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SEBI has issued a consultation paper introducing the concept of Accredited Investors/ Qualified Investors/ Professional Investors (AIs) in the Indian securities market. AIs are considered to be informed investors on the premise that their financial capacity (generally ascertained from income and/or net worth) enables them to hire expert managers/ advisors as required. Following the trend in other jurisdictions, under the AI framework, following benefits are proposed for the investors and financial product/service providers:

Flexibility in minimum investment amount

It is proposed that AIs, subject to the terms of the agreement with the product/ service provider, may participate in an existing investment product/ service at a lower threshold as compared to the minimum amount mandated in the respective regulations. However, no relaxation shall be available with regard to the other aspects of the regulatory framework.

Flexibility and relaxation in regulatory requirements

It is also proposed that a relatively relaxed regulatory framework may be enabled for existing investment products/ services for participation by AIs alone at a certain minimum investment amount (higher than the minimum amount applicable for regular investors), as may be specified in the respective Regulations. Such relaxation may be with respect to the regulations/circulars governing prudential norms, investment conditions, filings with SEBI, frequency of Audit/ valuation/ reporting, etc.

Access to products/ services offered exclusively to AIs

It is proposed that, in addition to participation of AIs in existing products/services, a framework for introduction of new products which are to be offered exclusively to AIs may be enabled. If such products are to be offered only to AIs, there is scope to consider regulating them with minimal prudential norms.

The consultation paper provides that AIs participating in existing financial products/services will have the option to choose the benefit of lower ticket size or a flexible regulatory framework, as may be appropriate for them. For example, as illustrations, the paper provides relaxation of certain regulatory framework for AIFs (such as - Category-II AIF investment in an investee company cannot exceed 25% of its net investible funds) which can be considered, where all investors (other than Manager/Sponsor and employees/ directors/partners of Manager/ Sponsor) are AIs and each such investor has committed a minimum capital of INR 70 crores (or USD 10 million or its equivalent in non-INR Currency), subject to contractual agreements with the investors.

Similarly, the consultation paper also provides illustrations of relaxations to portfolio managers, investment advisers.

Detailed proposal and recommendations are provided under SEBI Consultation Paper dated February 24, 2021 ([available here](#)). Public comments have been sought till March 18, 2021.

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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