



Changes to AIFs investment regime | SEBI increases overseas investment limit to USD 1500 million | Sponsor Contribution to an AIF set up in overseas jurisdiction, including IFSCs

INSIGHTS

May 25, 2021

In order to offer greater flexibility to SEBI registered Alternative Investment Funds (AIFs) and Venture Capital Funds (VCFs) in overseas investments, SEBI in consultation with the Reserve Bank of India (RBI) has enhanced the overall overseas investment limit for AIFs and VCFs from existing USD 750 million to **USD 1,500 million**. All other exiting requirements, terms and conditions to remain the same.

In another change impacting the AIF industry, any sponsor contribution from a sponsor Indian party (IP) to an AIF set up in an overseas jurisdiction, including International Financial Services Centres (IFSCs) in India, as per the laws of the host jurisdiction, will be treated as Overseas Direct Investment (ODI). Accordingly, IP, as defined in regulation 2(k) of the Foreign Exchange Management (Transfer or Issue of Any Foreign Security) Regulations, 2004 (FEMA120), can set up AIF in overseas jurisdictions, including IFSCs, under the automatic route provided it complies with Regulation 7 of FEMA120.

Aforementioned changes seem to be in line with promoting overseas investments by AIFs including in IFSCs. AIFs set up in Gujarat Internal Finance Tech-City (GIFT City) (India's first IFSC) are provided with various benefits including regulatory and tax incentives.

The aforesaid changes have been made vide SEBI Circular dated May 21, 2021 ([available here](#)) and RBI circular dated May 12, 2021 ([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

***Disclaimer:** The information provided in this update is intended for informational purposes only and does not constitute legal opinion or advice. Readers are requested to seek formal legal advice prior to acting upon any of the information provided herein. This update is not intended to address the circumstances of any particular individual or corporate body. There can be no assurance that the judicial/quasi-judicial authorities may not take a position contrary to the views mentioned herein.*



ECONOMIC
LAWS
PRACTICE
ADVOCATES & SOLICITORS

MUMBAI | NEW DELHI | BENGALURU | AHMEDABAD | PUNE | CHENNAI

Email: Insights@elp-in.com