



## AIFs in IFSC - IFSCA exempts sponsor/manager commitment and allows investment in mutual funds

INSIGHTS

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Dear Reader

In a move to facilitate investments in International Financial Service Centre (IFSC) and attract foreign funds to relocate and set up alternative investments funds (AIFs) in IFSC, the International Financial Service Centre Authority (IFSCA) has provided following relaxation to AIFs in IFSC:

- 1. Exemption to continuing interest of Manager/Sponsor commitment:** The continuing interest requirement by the Manager or Sponsor in the AIFs set up in IFSC has been made voluntary. Prior to this relaxation, the Manager or Sponsor were required to have a continuing interest in the AIF as follows:
  - (a) Category I and II AIF:** Not less than two and half percent (2.5%) of the corpus or USD seven hundred and fifty thousand (750,000), whichever is lower, in the form of investment in the AIF;
  - (b) Category III AIF:** Not less than five percent (5%) of the corpus or USD 1.5 million, whichever is lower.

Owing to many exemptions and regulatory benefits to AIFs in IFSC, this move will also add to AIF ecosystem in IFSC.

- 2. Investment by AIF in Mutual Funds permitted:** An AIF in IFSC is permitted to invest in units of schemes launched by mutual fund regulated in Financial Action Task Force (FATF) compliant jurisdiction (including India). The move will add to the already existing investment avenues to AIFs in IFSC.

The aforesaid changes have been introduced by IFSCA Circular dated June 25, 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](mailto:insights@elp-in.com)

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