



Cat-I AIFs allowed as Qualified Buyers | Reporting norms changes for AIFs | ECBs proceeds can be parked in term deposits for additional period of 12 months

INSIGHTS

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Dear All,

RBI and SEBI have issued important changes for AIFs and ECB framework. These are analyzed below:

1. Category-I AIFs allowed to act as qualified buyers under SARFAESI Act

In order to further enhance the ambit of qualified buyers under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (**SARFAESI Act**), RBI has permitted Category-I Alternative Investment Funds (**Category I AIF**) set up as trust and registered with SEBI to act as qualified buyers, subject to the fulfillment of the following conditions:

- The AIF which has invested in an asset reconstruction company (**ARC**) shall not invest in the security receipts issued by that ARC;
- The AIF shall not invest in the security receipts issued on the underlying loans of any of its associate or group company;
- The AIF shall not invest in the security receipts backed by non-performing assets of banks which hold equity of more than 10% in that AIF.

In a notification dated May 16, 2018, the RBI had specified alternative investment funds of Category II and III as qualified buyers. By way of this notification dated March 10, 2021 ([available here](#)), the RBI has further expanded the scope of the definition of 'qualified buyers' under Section 2 (1) (u) of the SARFAESI Act.

2. Revisions to reporting requirement of AIFs

All AIFs have been directed to submit a report (online through SEBI intermediary Portal) on their activity as an AIF to SEBI on a quarterly basis within 10 calendar days from the end of each quarter in the [revised formats](#). Further, Category III AIFs shall also submit a report on leverage undertaken, on a quarterly basis in the [revised formats](#). These shall be applicable for the quarter ending December 31, 2021 onwards.

Further, any changes in terms of private placement memorandum (PPM) and in the documents of the fund/scheme shall be intimated to investors and SEBI on a consolidated basis, within 1 month of the end of each financial year. Such intimation shall specifically mention the changes carried-out in the private placement memorandum and the documents of the fund/scheme, along with the relevant pages of revised sections/clauses. This requirement will come into effect immediately.

The changes have been introduced vide SEBI circular dated April 7, 2021 ([available here](#)).

3. RBI allows parking of ECB proceeds in Term Deposit for additional period of 12 months

In terms of the Master Direction dated March 26, 2019 on "External Commercial Borrowings, Trade Credits and Structured Obligations", ECB borrowers are allowed to park ECB proceeds in term deposits with AD Category - I banks in India, for a maximum period of 12 months cumulatively.

Owing to the Covid-19 pandemic, the Reserve Bank of India (**RBI**) has provided a one-time relaxation - now unutilized ECB proceeds drawn down on or before March 01, 2020 can be parked in term deposits with AD Category - I banks in India prospectively for an additional period of 12 months up to March 01, 2022.

The aforementioned relaxation has been given vide A.P. (DIR Series) Circular No. 01 dated April 7, 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

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Email: Insights@elp-in.com