

SEBI Introduces Fast-Track Mechanism for Processing of AIFs' Placement Memorandum

In a welcome move aimed at improving ease of doing business for the alternative investment funds (AIF) industry, the Securities and Exchange Board of India (SEBI) has, vide circular dated April 30, 2026 (the **Circular**), introduced a fast-track mechanism for processing private placement memorandums (PPMs) filed by AIFs that are already registered with SEBI. The move is expected to significantly reduce launch timelines for new schemes being launched by existing AIFs.

BACKGROUND – EXISTING FRAMEWORK

Until now, an AIF could not send the PPM of a scheme to any investor or take investors on board until SEBI had notified the AIF that the PPM has been taken on record. Even though AIFs file draft PPMs with SEBI along with the due diligence certificate issued by a merchant banker, SEBI would typically undertake a review of the PPM and give comments or seek clarifications before the PPM is taken on record.

KEY CHANGES

Pursuant to the Circular, existing AIFs (other than Large Value Funds for Accredited Investors (LVF) may now launch new schemes and circulate the PPM to prospective investors upon expiry of 30 (thirty) days from the date of filing of the PPM with SEBI, unless SEBI communicates otherwise within such period. If SEBI gives any comment before such 30-day period, the Circular further requires merchant bankers/AIFs to incorporate such comments before circulating the PPM.

The fast-track mechanism introduced by the Circular is available only for AIFs that are already registered with SEBI and so the first scheme of an AIF cannot avail of this relaxation.

The Circular mandates that the PPMs of all non-LVF schemes include a specific disclaimer identifying the merchant banker and stating to the effect that the investment manager and the merchant banker are responsible for the veracity and adequacy of the disclosures contained in the PPM.

The Circular has come into force with immediate effect and is also applicable to eligible PPMs pending with SEBI as on April 30, 2026.

ELP Comments

- *The Circular will make it easier for existing AIFs to launch new schemes. However, it is important to note that the Circular does not expressly restrict SEBI from issuing observations or comments after the expiry of the 30-day period, leaving room for possible regulatory observations or comments at any time after the deemed approval.*
- *Many AIFs prefer to create a new trust for each succeeding scheme instead of housing the successor scheme under the same trust as the previous scheme, in order to ring-fence each scheme from the risks associated with other schemes of the same AIF, even though creating a scheme under the same trust as the previous scheme results in considerable savings in terms of registration fees payable to SEBI. However, the new rule introduced by the Circular is likely to encourage AIFs to use the same AIF structure to launch new schemes, instead of registering a new AIF.*
- *The new disclaimer in the PPM mandated by the Circular will be in addition to existing standard disclaimer (prescribed by SEBI's templates for PPM) that the information in the PPM has not been approved by SEBI or any other legal or regulatory authority in India, nor has any such regulatory authority passed upon or endorsed the accuracy or adequacy of the PPM. Prior to the issuance of the Circular by SEBI, the certificate issued to SEBI by merchant banker confirmed that the merchant banker had verified the veracity of the information in the PPM independently and that such information was "true, fair and necessary". The new disclaimer in the PPM now will likely make it possible for investors to bring a civil action for damages not only against the investment manager, but also against the merchant banker in case of any misrepresentation or inadequate or inaccurate disclosure in the PPM. It is likely that this Circular would cause merchant bankers to carry out additional diligences before issuing a due diligence certificate.*

- *The Circular also expressly provides that, in the event of any irregularities or lapses in the PPM, “the concerned entities shall be liable for action” (sic). Presumably, the reference to ‘concerned entities’ refers to the merchant banker and the investment manager of the AIF and the “action” will be initiated by SEBI. However, since the investment manager is not directly licensed by SEBI, it is unclear if and how SEBI can take action against the investment manager, other than possibly directing the AIF to replace its investment manager.*
- *LVBs are expressly excluded by this Circular, possibly because LVBs are already exempt from the requirement of filing their PPMs with SEBI through a merchant banker and LVBs registered with SEBI can launch schemes immediately upon filing the relevant PPM with SEBI¹.*

Please find the Circular [here](#).

We hope you have found this information useful. For any queries/clarifications, please write to us at insights@elp-in.com or write to our authors:

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Disclaimer: The information provided in this update is intended for informational purposes only and does not constitute legal opinion or advice.

¹ As per the proviso to Regulation 12 of AIF Regulations read with Paragraphs 12.12 and 12.13 of SEBI’s Master Circular for AIFs dated May 7, 2024.