

SEBI proposes GARUDA to further speed up launch of schemes by AIFs

On May 11, 2026, the Securities and Exchange Board of India (SEBI) issued a consultation paper titled 'Green-Channel: AIF Rollout Upon Document Acknowledgement' (GARUDA) Mechanism for Processing of Placement Memorandum of Alternative Investment Funds (AIFs) filed with SEBI' (Consultation Paper). The Consultation Paper builds up on the relaxation offered by the circular dated April 30, 2026 (April Circular) issued by SEBI which allowed existing AIFs (other than Large Value Funds for Accredited Investors (LVF) to 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. In case of an AIF's first scheme, the April Circular allows the AIF to launch such scheme from the date of grant of registration for the AIF by SEBI or 30 days after the filing of application with SEBI, whichever is later.

The proposals put forth by the Consultation Paper are:

Proposal 1: All AIFs (other than LVFs, AI only schemes and Angel Funds) be allowed to launch new schemes after 10 working days of filing of application with SEBI, unless otherwise advised. In case of first scheme of AIFs, AIFs may proceed with launch of such schemes from the date of grant of SEBI registration (or) after 10 working days of filing of application with SEBI, whichever is later. This proposal essentially reduces the 30 day period prescribed by the April circular to 10 days.

Proposal 2: AI only schemes and Angel Funds may file the PPM directly with SEBI instead of filing it through Merchant Banker. The Chief Executive Officer of the AIF's investment manager (or any other person holding equivalent role or position) and the Compliance Officer of the investment manager of the AIF should provide an Undertaking in lieu of the merchant banker's due diligence certificate.

Proposal 3: AI only schemes may immediately launch their first scheme from the date of grant of SEBI registration. Registered AIFs can launch new AI only schemes upon filing of PPM with SEBI along with the aforementioned Undertaking by the CEO of its investment manager (or person holding equivalent role or position) and the Compliance Officer of its investment manager.

Proposal 4: Angel Funds may circulate the PPM to their investors for soliciting funds immediately after receiving the certificate of registration from SEBI.

The Consultation Paper states that scrutiny of scheme documents will continue to be carried out by SEBI post-facto on sample basis, based on risk assessment and specific criteria. In case of any irregularity or lapse in the PPM, concerned entities shall be liable for action.

ELP Comments

- *The GARUDA mechanism, once implemented, will make it possible for registered AIFs to launch subsequent schemes faster than they do now. The April Circular has allowed the launch of subsequent schemes within 30 days of filing the application with SEBI. This period will be reduced to 10 days once the GARUDA mechanism is implemented. However, the possibility of SEBI hauling up 'concerned entities' for any shortcoming in a PPM filed through the GARUDA mechanism is likely to give AIFs and their investment managers the jitters. Further, as per the Consultation Paper, the PPM review by SEBI will henceforth be 'post-facto on sample basis, based on risk assessment and specific criteria.' Therefore, even if a registered AIF is willing to wait for SEBI to review the PPM before the PPM/scheme is marketed and investors onboarded (in order to reduce the possibility of any delayed reaction from SEBI), such an option would not exist.*
- *Since not all PPMs will be reviewed by SEBI, it is possible that PPMs will be taken on record with effect from the date of filing of the scheme application. It may be reiterated that the date on which the PPM of a scheme is taken on record is*

important since the deadline to declare the First Close of the scheme is calculated from the date of SEBI's communication for taking the PPM of the scheme on record.

- *Proposals 2 and 3 envisage the CEO and Compliance Officer of the investment manager of Angel Funds and AIFs launching AI only schemes providing an Undertaking to substitute the due diligence certificate currently being issued by a merchant banker. Though SEBI is yet to release the actual format of such Undertaking, it is unclear what such an Undertaking would achieve since, even now, in the absence of such Undertaking, the person signing Form A would be liable for any defect in the PPM since the PPM is an annexure to Form A.*

The Consultation Paper can be found [here](#).

The April Circular can be found [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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