GARUDA Takes Flight: SEBI's Shift Towards a Green-Channel Regime for AIFs

On 14 July 2026, the Securities and Exchange Board of India (Alternative Investment Funds) (Second Amendment) Regulations, 2026, was notified (***2nd Amendment 2026***). The 2nd Amendment 2026 gives effect to the GARUDA mechanism approved on June 19, 2026, by SEBI's Board.

On April 30, 2026, SEBI had issued a circular implementing a 'fast-track mechanism' for processing of an AIF's Private Placement Memorandum (***PPM***) (***April Circular***). The April Circular provided that existing AIFs (other than Large Value Funds for Accredited Investors (***LVFs***) could launch new schemes and circulate the scheme's 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.

The GARUDA mechanism which has now been incorporated in the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 (**SEBI AIF Regulations**) by the 2nd Amendment 2026, reduced the 30-day period provided for by the April circular (for existing AIFs to launch new schemes) to 10 working days. The 2nd Amendment 2026 also exempted Accredited Investors Only Funds from Regulation 12(2) and 12(3) of the SEBI AIF Regulations. Until now, this exemption was available only for LVFs. Angel Funds have also been given a similar exemption by amending Regulation 19D(4) and scrapping regulation 19D(5).

ELP Comments

After the notification of the 2nd Amendment 2026, the process and timelines for launching a scheme is as follows:

- *Angel Funds can circulate their PPM and start operations as soon as the AIF is registered with SEBI. The Angel Fund does not have to wait for the PPM to be taken on record by SEBI, a process which is, in practice, usually simultaneous with the registration of the Angel Fund with SEBI (as a sub-category of Category I AIFs) or involves a delay of just a few days. Please remember that with effect from September 10, 2025, Angel Funds cannot launch multiple schemes.*
- *A registered AIF can launch an Accredited Investors Only Scheme or a LVF as soon as it receives its certificate of registration from SEBI as an AIF. If an AIF registered with SEBI is launching an AI Only Scheme or a LVF scheme as a subsequent scheme (after the launch of its first scheme), it can do so immediately after filing the PPM of such scheme with SEBI through the SI Portal.*
- *For all practical purposes[1], an AIF can launch a first Regular Scheme (that is, a scheme which is not an AI Only Scheme) as soon as it receives its certificate of registration as an AIF, without having to wait for SEBI to take the PPM of its first scheme on record.*
- *An AIF can launch a subsequent Regular Scheme within 10 working days of filing the PPM for such scheme with SEBI through the SI Portal.*

[1] If for any reason, SEBI approves an AIF's application for registration in less than 10 days but does not take the AIF's PPM on record simultaneously with the grant of registration as an AIF, the AIF can launch its first scheme 10 working days after filing its application on the SI Portal, even if SEBI has not yet taken the AIF's PPM on record by such time.

Please find the April Circular here along with our analysis of the same.

Please find the minutes of the Board Meeting here along with our analysis of the same.

Please find the 2026 Amendment 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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