# Master Circular for AIFs modified to operationalize GARUDA for launch of AIF Schemes

Securities and Exchange Board of India (**SEBI**) has, through a circular released on July 30, 2026, prescribed the operational modalities of the '*Green-Channel: AIF Rollout Upon Document Acknowledgement (**GARUDA**) mechanism for processing of private placement memorandums of alternative investment funds (**AIFs**) filed with SEBI*' (**July 30th Circular**). The Circular follows the amendment of the SEBI (Alternative Investment Funds) Regulations, 2012 (**AIF Regulations**) through the SEBI (Alternative Investment Funds) (Second Amendment) Regulations, 2026, with effect from July 14, 2026, for giving effect to the GARUDA mechanism approved on June 19, 2026, by SEBI's Board.

In order to operationalize GARUDA, the July 30th Circular has modified the following paragraphs of the SEBI Master Circular for AIFs dated June 03, 2026 (**the Master Circular**), by replacing them altogether:

- Paragraph 2.4
- Paragraph 2.5
- Paragraph 21.4.4

The July 30th Circular has also inserted a new paragraph 2.7 in the Master Circular which defines 'Regular schemes' to mean schemes other than Large Value Fund for Accredited Investors (**LVF**), Accredited Investors Only Fund (**AI only fund** or **AIOF**) and Angel Funds. It also clarifies that '*launch*' of scheme or fund shall mean circulation of its Private Placement Memorandum (**PPM**) to the investors for soliciting funds.

Prior to the July 30th Circular, Paragraph 2.4 of the Master Circular dealt with the filing of PPMs and launch of non-LVF schemes under the Fast-Track mechanism. It required filing of the PPM through a Merchant Banker, permitted launch after 30 days of filing unless otherwise advised by SEBI, prescribed the documents to accompany the filing, and imposed due diligence and disclosure obligations upon the Merchant Banker and the Manager. After the July 30th Circular was issued, Paragraph 2.4 of the Master Circular applies only to Regular Schemes. The waiting period for launch of a scheme has been reduced from 30 days to 10 working days. Revised filing requirements and disclaimer clauses have been introduced, and the responsibilities of the Merchant Banker and the Manager have been further clarified.

Prior to the July 30th Circular, Paragraph 2.5 of the Master Circular prescribed the filing and launch modalities applicable only to LVF schemes. The July 30th Circular has revised Paragraph 2.5 to expand its scope to include AI-only Funds, LVFs and Angel Funds.  AIOF and LVFs may now launch their subsequent schemes immediately upon filing the PPM with SEBI. The first scheme of AIOFs and LVFs can be launched from the date of grant of SEBI registration. Angel Funds may circulate their PPMs to investors from the date of grant of SEBI registration. When filing the PPM of an AI-only Fund or an LVF or an Angel Fund on the SEBI intermediary portal, a duly signed and stamped undertaking by the Chief Executive Officer (or equivalent) and the Compliance Officer of the investment manager is also required. The PPM should contain the disclaimer set out in Paragraph 2.5.2.4. of the Master Circular. Paragraph 2.5.2.5 of the Master Circular expressly places responsibility on the Manager for the accuracy and completeness of all disclosures and declarations made in the PPM and provides that action may be initiated in case of any irregularity or lapse. Lastly, LVFs and AIOFs are required to use the suffixes "LVF" and "AI only fund" or "AIOF", respectively, in their scheme names.

Paragraph 21.4.4 of the Master Circular has also been amended/replaced to align it with the GARUDA Scheme. Paragraph 21.4.4 now states that changes to the PPMs of AIOFs, LVFs and Angel Funds may be intimated directly to SEBI along with the prescribed undertaking, without the need to route the intimation via a merchant banker.

**ELP Comments**

*Paragraph 2.4.1.1 of the Master Circular, as modified by the July 30th Circular, states that "AIFs can proceed with launch of their first schemes from the date of grant of SEBI registration (or) after 10 working days of filing of application with SEBI, whichever is later." This statement is a throwback to the language of the minutes of SEBI's Board Meeting of June 19, 2026, which in turn, uses language similar to the language used in the circular dated April 30, 2026 issued by SEBI. The language from Paragraph 2.4.1.1 quoted above gives the impression that the timeline for the launch of the first scheme of an AIF is a mere 10 working days. Unfortunately, the operative part of the relevant sentence in Paragraph 2.4.1.1 is 'whichever is later'. So, if an application is filed on SEBI's SI Portal for the registration of an AIF (which would also include the filing of the PPM of the first scheme of the applicant) on July 1, 2026, the AIF cannot launch its first scheme after the expiry of ten working days from July 1, 2026. The first scheme can be launched only after SEBI grants a certificate of registration to such AIF. In the event that SEBI grants a certificate of registration within 5 working days of filing the application on the SI Portal, say by July 8, 2026, then the AIF can launch its first scheme as soon as SEBI informs the AIF that the PPM of its first scheme has been taken on record or after the expiry of ten working days from July 1, 2026, whichever is earlier.*

*Usually, the communication from SEBI saying that the PPM of the first scheme has been taken on record is almost simultaneous with the intimation of grant of registration and the time gap between these two events is only a few days. Also, the time taken by SEBI for grant of registration for an AIF usually exceeds 10 working days. Therefore, the practical impact of Paragraph 2.4.1.1 of the Master Circular, as modified by the July 30th Circular, is that, in most cases*, a newly registered AIF can launch its first scheme immediately after SEBI informs the AIF that its registration has been approved*.*

***Please do not treat the last sentence of this paragraph as legal advice. Please check with your legal advisor before launching any AIF scheme, or circulating the PPM of an AIF scheme to potential investors, or issuing drawdown notices to investors in an AIF scheme.***

The July 30th Circular can be accessed through this link.

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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