Review of SEBI's Consultation Paper on the Framework for Accredited Investors

Regulation 2(1) (ab) of the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 (**AIF Regulations**), which defines "accredited investors", was inserted in the AIF Regulations with effect from August 3, 2021, by the Securities and Exchange Board of India (Alternative Investment Funds) (Third Amendment) Regulations, 2021. The same definition was inserted (by reference to the definition in the AIF Regulations) in the SEBI (Investment Advisers) Regulations, 2013 and SEBI (Portfolio Managers) Regulations, 2020 on the same day (August 3, 2021) through amendments to the regulations. SEBI subsequently issued its implementation circular, "Modalities for implementation of the framework for Accredited Investors," dated August 26, 2021, which set out the process of being accredited through an accreditation agency.

Last week, SEBI issued a consultation paper dated August 13, 2026 (**Consultation Paper**), inviting public comments by September 3, 2026, on proposals to modify and improve its current regulatory framework for accredited investors. Key proposals in the Consultation Paper are summarised below.

ACCREDITATION BY MANAGERS

At present, investors are required to obtain an accreditation certificate from an Accreditation Agency and then complete onboarding with the manager of the alternative investment fund (**AIF**), specialised investment fund (**SIF**) or portfolio management service (**PMS**). The Consultation Paper proposes that the manager of an AIF, SIF or PMS may determine and record an investor's accredited status as part of onboarding, or during the tenure of an ongoing scheme. Accreditation by a manager would be valid for three years from the assessment date.

The "Manager" would be recognised at group level, allowing the status to extend across AIF, SIF and PMS managers within the same group. The assessment would use the latest ITR, a CA net-worth certificate not older than six months, or recent eCAS/broker statements or a CA certificate for securities-market assets.

A fresh accreditation assessment would be required whenever an investor is onboarded by an unrelated manager.

Since a manager benefits commercially from onboarding the investor, there is a conflict of interest in this accreditation process. To address this, SEBI has proposed a set of safeguards, which include the following:

- managers have to put in place a formal accreditation policy;
- records relating to accreditation be retained for a minimum period, to be prescribed by SEBI;
- accreditation processes be subjected to periodic internal audit and compliance review; and
- managers obtain annual certification from an independent auditor confirming compliance with the accreditation requirements.

CONTINUATION OF THE ACCREDITATION AGENCY ROUTE

SEBI proposes to retain the existing independent Accreditation Agency route even as it plans to roll out the manager-led accreditation option. Investors may continue to obtain a portable certificate from a recognised Accreditation Agency rather than be assessed separately by a manager. The validity norms for accreditation granted by an Accreditation Agency would be aligned with the proposed validity norms for manager-led accreditation for the manager's own schemes.

SECURITIES-MARKET ASSETS AS AN ADDITIONAL ELIGIBILITY CRITERION

SEBI proposes to add a standalone accreditation route, which would permit accreditation based on the investor's securities-market assets. An individual would be required to have securities-market assets worth at least ₹5 crore and a body corporate should have securities-market assets worth ₹20 crore. Qualifying assets would include dematerialised equity and debt instruments, REIT/InvIT and AIF units, mutual-fund folios, futures open-interest positions, dematerialised unlisted securities and overseas securities-market investments.

Eligibility may be evidenced by an eCAS/broker statement not older than six months or a practising CA's certificate.

At present, accreditation is provided on the basis of either income or net worth.

DEEMED ACCREDITATION FOR ALL PERSONS RESIDENT OUTSIDE INDIA

The Consultation paper proposes to extend deemed Accredited Investor status to every "person resident outside India" (**PROI**), including all Foreign Portfolio Investors. A PROI would not need a separate accreditation certificate.

LOOK-THROUGH ACCREDITATION FOR LLPS

It is proposed that a limited liability partnership (**LLP**) could qualify as an accredited investor if every partner independently satisfies the accreditation criteria. The proposal would place LLPs on a footing similar to partnership firms under the current framework.

Currently, an LLP is required to have a net worth of INR 50 cr or more to be accredited, whilst a general partnership firm will be accredited if each partner independently meets the eligibility criteria for accreditation.

ACCREDITATION OF A WHOLLY OWNED SUBSIDIARY BASED ON PARENT NET WORTH

The Consultation paper proposes that the wholly owned subsidiary of an accredited company shall be treated as accredited on the basis that its parent company has satisfied the prescribed net-worth criterion.

ELP Comments

- *Even though SEBI proposes to allow managers to verify and accredit investors, it proposes to retain the existing option for investors to be accredited by an independent accreditation agency. This dual-route structure will preserve investor choice and maintain continuity of the existing accreditation infrastructure. Agency accreditation will be useful for investors who expect to invest with multiple unrelated managers and value a manager-agnostic, portable status. The manager-led route will serve investors who prioritise consolidated onboarding or prefer not to transmit granular financial data to a separate agency.*
- *SEBI has proposed that accreditation may be solely on the basis of the investor's securities-market assets. Gross holdings will not reveal liabilities, leverage or encumbrances and can overstate loss-bearing capacity. If an investor is given accreditation solely on the basis of the investor's securities-market assets, it is possible that investors with extensive liabilities will also be accredited in the process.*
- *The proposal to extend deemed Accredited Investor status to PROIs makes the earlier suggestions for AUM-based accreditation of foreign pooled vehicles and foreign professional certification of net worth redundant. If this proposal is implemented, managers would have to verify if investors claiming to be PROIs actually meet the PROI criteria prescribed by FEMA.*
- *The Consultation Paper proposes to enable LLPs to be accredited in the same (look-through) manner as general partnerships are currently allowed to be accredited. The Consultation Paper rightly notes that an LLP is a separate body corporate with limited liability and perpetual succession and is ordinarily treated more like a company than a traditional partnership. If this proposal is implemented, an LLP which does not have sufficient assets to be accredited in its own right, or an LLP with extensive liabilities, may be accredited if all partners of the LLP are independently accredited. It is unclear from the Consultation Paper if SEBI will preserve the existing route for LLPs and provide for a dual-route, whereby an LLP can obtain accreditation either independently or through the accreditation of its partners.*

The Consultation Paper 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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