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SEBI allows 47 alternative funds to operate in India

Mumbai: Market regulator SEBI has allowed 47 entities to set up AIFs - newly created class of pooled-in investment vehicles for real estate, private equity and hedge funds, over a period of ten months.

The 47 Alternative Investment Funds (AIFs) have been registered with SEBI since July.

SEBI had allowed only 12 AIF to set up shop in the country till October, and the number increased to 47 as of today.

As per SEBI data, most of these applications got approval in March, February and November.

The AIFs that have registered with SEBI included Ambit Alpha Fund, Arthveda Alternative Investment Trust, Karvy Capital Alternative Investment Trust, Motilal Oswal Alternative Investment Trust and HDFC AMC Real Estate.

The regulator had notified in May 2012, the guidelines for this new class of market intermediaries. AIFs are basically funds established or incorporated in India for the purpose of pooling in capital from Indian and foreign investors for investing as per a pre-decided policy.

In August, SEBI decided that the promoters of listed companies can offload 10 percent of their equity to AIFs such as such as SME Funds, Infrastructure Funds, PE funds and Venture Capital Funds registered with it so as to meet the norm of having a minimum of 25 percent public holding.

Under SEBI guidelines, AIFs can operate broadly in three categories. The SEBI rules apply to all AIFs, including those operating as private equity funds, real estate funds and hedge funds, among others.

The Category-I AIFs are those funds that get incentives from the government, SEBI or other regulators and include Social Venture Funds, Infrastructure Funds, Venture Capital Funds and SME Funds.

The Category-III AIFs are those trading with a view to making short-term returns and it includes hedge funds, among others.

The Category-II AIFs can invest anywhere in any combination but are prohibited from raising debt, except for meeting their day-to-day operational requirements.

These AIFs include PE funds, debt funds or fund of funds, as also all others falling outside the ambit of two other categories.

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