

Compliance calendar for Category I/II Alternative Investment Funds

May 2021



Introduction

The Securities and Exchange Board of India (SEBI) had introduced SEBI (Alternative Investment Funds) Regulations, 2012, to govern pooling vehicles set up in India. Over time, SEBI has amended the regulations and issued circulars to govern the AIFs in India. In an ever-changing regulatory environment, one of the biggest challenges for managers of AIFs is to implement appropriate systems and processes to ensure that AIFs adhere to all the tax and regulatory requirements. Not to mention, regulators' oversight and penal provisions have become more stringent.

In the light of the above, here is a checklist of key compliances applicable to a Category I/II AIF. It is worthwhile to note that the deadlines for various compliances mentioned in this document are not specific to any financial year and this document shall serve as a reference document for compliances to be undertaken at any given time.



SEBI compliances

S. No.	Particulars	Frequency	Submission date
A) To investors: The manager is required to provide the following reports or disclosures to the investors of the AIF:			
1	Annual report to the investors including the following information: a. Financial information of investee companies; b. Material risks and how they are managed, which may include: <ul style="list-style-type: none"> i. Concentration risk at fund level; ii. Foreign exchange risk at fund level; iii. Leverage risk at fund and investee company levels; iv. Realisation risk (i.e., change in exit environment) at fund and investee company levels; v. Strategy risk (i.e., change in or divergence from business strategy) at investee company level; vi. Reputation risk at investee company level; and vii. Extra-financial risks, including environmental, social and corporate governance risks, at fund and investee company level. 	Annually	Within 180 days from the year end
2	Description of valuation and methodology for valuing assets Valuation to be undertaken by an independent valuer	Half-yearly (Can be enhanced to 1 year on approval of 75% of investors by value of their investment)	Half-yearly (Can be enhanced to 1 year on approval of 75% of investors by value of their investment)
3	As and when occurred: Any changes to the placement memorandum including modifications in terms or documents of the fund/scheme	Annually	Within one month from the end of the financial year
4	Reporting: a. Financial, risk management, operational, portfolio, and transactional information regarding fund investments; b. Any fees paid to the manager or sponsor; and c. Any fees charged to the AIF or any investee company by an associate of the manager or sponsor.	Periodically	Periodically
5	As and when occurred: a. Any inquiries or legal actions by legal or regulatory bodies in any jurisdiction; b. Any material liability arising during the AIF's tenure; c. Any breach of placement memorandum or any other fund documents; d. Change in control of the manager or sponsor or investee company; and e. Any significant change in the key investment team.	Immediate	As and when occurred

SEBI compliances (Contd.)

S. No.	Particulars	Frequency	Submission date
A) To investors: The manager is required to provide the following reports or disclosures to the investors of the AIF:			
6	The manager or sponsor is required to disclose their investment in the AIF to the investors	Immediate	Immediate
7	The sponsor and manager are required to disclose all conflicts of interests	Immediate	As and when they arise or seem likely to arise
B) To the trustee and sponsor:			
1	<ul style="list-style-type: none"> • Manager is required to prepare a compliance test report (CTR) and submit to the (i) trustee and the sponsor, in case the AIF is set up as a trust; or (ii) sponsor, in case of other AIFs • In case of observations on CTR, trustee/sponsor to intimate the same to manager • Manager to make necessary changes in CTR basis comments received from trustee/sponsor 	Annually	Within 30 days from the end of the financial year
2	Any findings of audit of compliance with terms of PPM along with corrective steps, if any (in case of AIFs which have not raised any funds from their investors, they shall submit a Certificate from a Chartered Accountant to the effect that no funds have been raised)	Annually	Within six months from the end of the financial year



SEBI compliances (Contd.)

S. No.	Particulars	Frequency	Submission date
C) To SEBI			
1	Prior SEBI approval, if any change in control of AIF, sponsor or manager	Prior approval	As soon as possible
2	Submission of quarterly report (online) to SEBI relating to their activity as an AIF	Quarterly	By 7th of the month of the following the quarter (applicable till quarter ending 30 September 2021) By 10th of the month of the following the quarter (applicable from quarter ending 31 December 2021 onwards)
3	Intimate SEBI of any violations of the AIF regulations or circulars issued thereunder observed from the CTR	Immediate	As soon as possible
4	Intimate SEBI if any information previously submitted are false or misleading in any material particular or if there is any material change in the information already submitted or if there is a change sponsor, manager or designated partners	Immediate	As soon as possible
5	AIFs shall report the utilisation of overseas investment limits on SEBI intermediary portal	Immediate	Within five working days of such utilisation
6	In case the AIF has not utilised/partly utilised the overseas investment limits within a period of six months from the date of SEBI approval (validity period), the same shall be reported on the SEBI intermediary portal	Immediate	Within two working days after expiry of the validity period
7	In case the AIF wishes to surrender the overseas limit at any point of time within the validity period, the same shall be reported on the SEBI intermediary portal	Immediate	Within two working days from the date of decision to surrender the limit
8	As and when occurred: Any changes to the placement memorandum, including modifications in terms or documents of the fund/scheme	Annually	Within one month from the end of the financial year



SEBI compliances (Contd.)

S. No	Policy	Content
D) Other policies and considerations		
1	Prevention of money laundering (PML) policy and the ancillary documents	To be drawn in line with the requirements of the PML Act along with the formats for reporting the same
2	Stewardship policy	<p>The SEBI circular dated 24 December 2019 mandates every AIF (Category I and II) to have a Stewardship Policy, which shall spell out how intends to discharge its stewardship responsibilities like monitoring and actively engaging with investee companies on various matters including performance (operational, financial, etc.), strategy, corporate governance (including board structure, remuneration, etc.), material environmental, social, and governance (ESG) opportunities or risks, capital structure.</p> <p>A training policy for personnel involved on implementation of the principles is crucial and may form a part of the policy.</p>
3	Conflict of interest policy	A clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities, Institutional investors should formulate a detailed policy for identifying and managing conflicts of interest. The policy shall be intended to ensure that the interest of the client/beneficiary is placed before the interest of the entity. The policy should also address how matters are handled when the interests of clients or beneficiaries diverge from each other.
4	Policy on voting and disclosure of voting rights	<p>a. Mechanisms to be used for voting</p> <p>b. Internal mechanisms for voting including guidelines on how to assess the proposals and take decision thereon, guidelines on how to vote on certain specific matters/circumstances including list of such possible matters/circumstances and factors to be considered for a decision to vote for/against/abstain, Formulation of oversight committee as an escalation mechanism in certain cases, se of proxy advise,</p> <p>c. Policy for conflict of interest issues in the context of voting</p> <p>d. Disclosure of voting</p>
5	Policy for continuous monitoring of investee companies	<p>This will be a policy to continuously monitor their investee companies in respect of all aspects they consider important, which shall include performance of the companies, corporate governance, strategy, risks, etc. The AIF should identify the levels of monitoring for different investee companies, areas for monitoring, mechanism for monitoring, etc.</p> <p>The AIF may also specifically identify situations where they do not wish to be actively involved with the investee companies, e.g., in case of small investments.</p> <p>The investors should also keep in mind regulations on insider trading while seeking information from the investee companies for the purpose of monitoring.</p>
6	Valuation policy	<p>List down the guidelines that will be followed by the company while valuing its investments (various securities)</p> <p>Frequency of valuation of the portfolio companies</p> <p>Valuation principles used by the fund/scheme for valuation of portfolio companies (whether the fund/scheme follows the International Private Equity and Venture Capital Valuation (IPEV) Guidelines). Any other guiding principles relevant for the investors to know with respect to valuation of the fund/scheme</p>

SEBI compliances (Contd.)

S. No	Policy	Content
D) Other policies and considerations		
7	Grievance redressal policy	Mechanism for dealing with complains from clients and the time frame for resolving the complaints
8	Risk management policy	This will be a policy listing down the potential risks and the mechanism to manage the same
9	Client acceptance policy	Policy will lay down he norms to be followed before accepting the client, the KYC procedure to be followed, the other documentation involved including contributors' agreement, PPM to be circulated and signed, how to receive payments, etc.



FEMA and other regulatory compliances

S. No.	Particulars	Frequency	Submission date
1	The AIF, which has issued units to a person resident outside India shall file the Form InVi with the RBI	Immediate	Within 30 days from date of issue of units
2	The AIF making downstream investment in another Indian entity which is regarded as indirect foreign investment (as sponsor or manager is not Indian owned and controlled), shall file Form DI	Immediate	Within 30 days from the date of allotment of equity instruments
3	Foreign Liabilities and Assets (FLA) return has to be filed with the RBI in lieu of all the foreign investments received and made in the previous year	Annually	15 July of the financial year following the previous year (i.e., 15 July 2021 for FY 2020-21)
4	On commencement of an account-based relationship with a client, the investment manager shall file an electronic copy of the client's KYC records with the Central KYC Records Registry	Immediate	Within 10 days after the commencement of an account-based relationship with the client
5	On appointment of the principal officer and designated director as per the Prevention of Money Laundering Act 2002 (PMLA) and rules notified there under, the Investment Manager shall submit a letter to the Office of the Director, Financial Intelligence Unit, India (FIU-IND) communicating the appointment and details of the principal officer and designated director	Immediate	Immediate
6	Reporting of all cash and suspicious transactions	Immediate	Immediate



Direct tax compliances

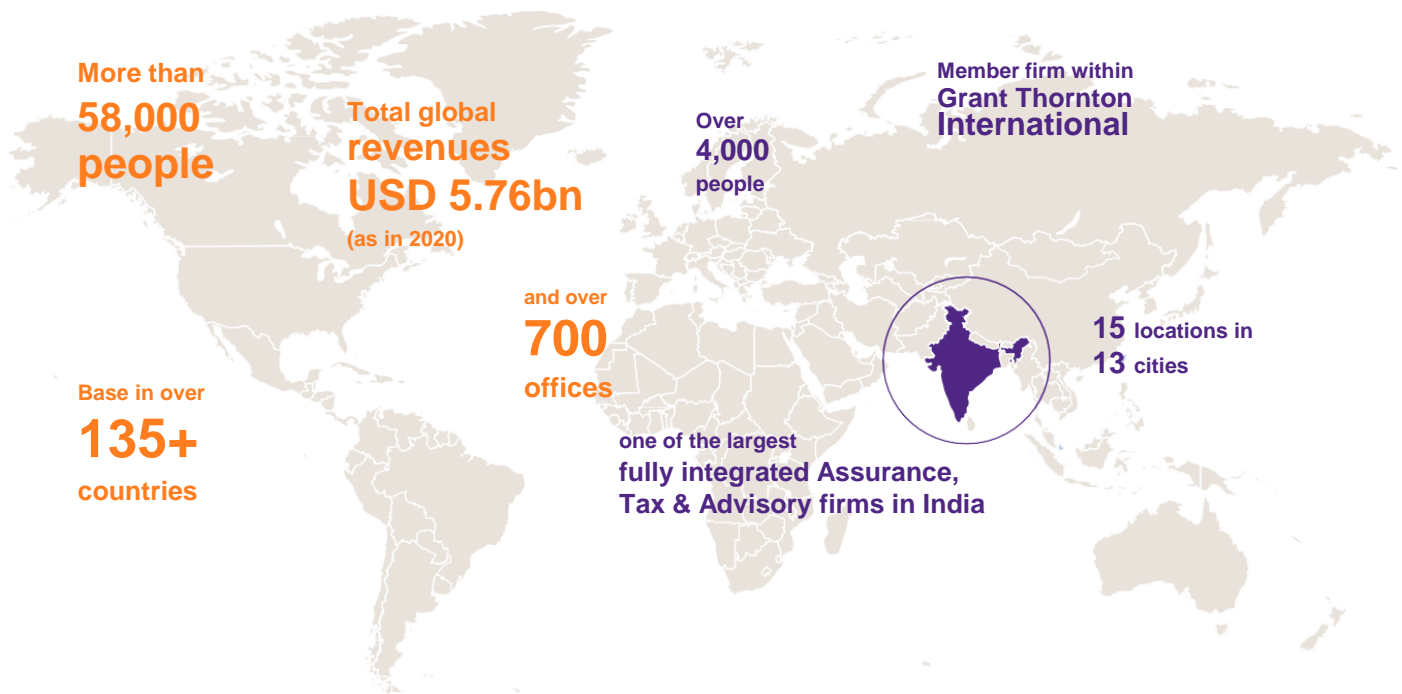
S. No.	Particulars	Frequency	Submission date
1	Income tax return	Annually	31 October of the relevant assessment year
2	Advance tax payment	Quarterly	15th day of June, September, December and March of every tax year
3	Withholding taxes		
	I. Withholding tax payments	Monthly	7th of the subsequent month except for March which is due by 30 April
	II. Withholding tax returns	Quarterly	31 July - first quarter 31 October - second quarter 31 January - third quarter 31 May - fourth quarter
	III. Certification for withholding taxes on foreign remittances (Form 15CA/15CB)	Per foreign remittance	At the time of foreign remittance
4	Statement to be furnished (in Form No. 64C) by AIF to unit holders in respect of income distributed during the previous year	Annually	30 June of the financial year following the previous year
5	Statement to be furnished (in Form No. 64D) by AIF to Income tax authorities in respect of income distributed during the previous year	Annually	15 June of the financial year following the previous year

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6 compelling reasons to consider Grant Thornton



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