



भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

DEPUTY GENERAL MANAGER
INVESTMENT MANAGEMENT DEPARTMENT
DIVISION OF FUNDS-1

SEBI/HO/IMD/DF1/OW/P/2019/0000002706/1
January 28, 2019

Mr. Darius Pandole
MD & CEO -PE & Equity AIFs
JM Financial Limited,
7th Floor,Cnergy,Appasaheb Marathe Marg, Prabhadevi,
Mumbai – 400 025

Dear Sir,

Sub: Request for interpretative letter under Securities and Exchange Board of India (Informal Guidance) Scheme, 2003 in connection with Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996- by JM Financial Limited (JMFL)

1. This has reference to your letter dated November 27, 2018 seeking an interpretive letter under the SEBI (Informal Guidance) Scheme, 2003.
2. In your letter under reference you have *inter alia* represented as follows:
 - 2.1. JMFL provides investment management services to JM Financial India Fund (Fund).The fund is registered under the SEBI (Venture Capital Funds) Regulations 1996 having the following registration no IN/VCF/06-07/092 from Oct 12, 2006 onwards. The Fund has made investments into Venture Capital Undertakings ('VCU').JMFL being the investment manager is seeking informal guidance on behalf of the Fund.
 - 2.2. During the course of operations, the Fund may come across situations where there are unutilized funds lying in bank accounts for, inter alia, the following reasons:
 - 2.2.1. Capital contribution received from investors, pending investment of such funds (un-invested portion of the investible funds).

सेबी भवन, प्लॉट सं. सी 4-ए, "जी" ब्लॉक, बांद्रा कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051.
दूरभाष : 2644 9950 / 4045 9950 (आई.वी.आर. एस.), 2644 9000 / 4045 9000 फैक्स : 2644 9019 से 2644 9022 वेब : www.sebi.gov.in



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2.2.2. Time gap between (i) receipt of proceeds on sale/transfer of investments or (ii) the returns earned from the investments (e.g. dividend, any other type of investment, etc.) and distribution of (i) and (ii) to the investors. In certain cases where the amounts are small, the same are accumulated at the Fund level and were distributed to the investor at a later stage. Till the time the funds are not distributed to the investors, the same remain as idle funds.

2.3. The fund has invested and / or proposes to invest such unutilized funds into liquid mutual funds and similar liquid investments as they typically offer better returns than money lying in current account thereby providing a better overall return for the investors.

3. In view of the above, you have sought an interpretive letter under SEBI (Informal Guidance) Scheme, 2003 from SEBI on the following:

“Whether a Venture Capital Fund under the VCF Regulation is in compliance with the provisions of VCF regulations, when it invests its unutilized funds in the units of liquid mutual funds or bank deposits or other liquid assets of higher quality such as Treasury Bills, CBLOs, Commercial Papers, Certificates of Deposits, etc.?”

4. Our Comments

The submissions made in your letter has been considered and without necessarily agreeing with your analysis, our view on the issues raised in your letters are as under:

4.1. SEBI registered VCFs may invest unutilised funds of investable fund in the units of liquid mutual funds or bank deposits or other liquid assets of higher quality such as Treasury Bills, CBLOs, Commercial Papers, Certificates of Deposits, etc. during the tenure of the fund specified in the private placement memorandum (PPM).

4.2. VCFs shall disclose the information about these proposed transactions periodically to the investors.

4.3. The provisions of Regulations 12 and more specifically Regulation 12(b) and 12(d) shall remain applicable to all funds including investible funds and unutilised funds (when invested as per 4.1 above) at all times.

5. This above position is based on the information furnished in your letter under reference. Different facts or conditions might lead to different interpretation. Further this letter does not express decision of the Board on the questions referred.



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6. You may note that the above views are expressed only with respect to the clarification sought in your letter under reference with respect to Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996 and do not affect the applicability of any other law and requirements of any other SEBI Regulations, guidelines and circulars administered by SEBI or of the laws administered by any other authority.

Yours faithfully,

Naveen Sharma