



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/2018/0000029052/1
October 17, 2018

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 (Alternative Investment Funds) Regulations, 2012- by JM Financial Limited (JMFL)

1. This has reference to your letter dated June 29, 2018 and subsequent modification letter dated September 21, 2018 seeking an interpretative letter under the SEBI (Informal Guidance) Scheme, 2003.
2. In your letters under reference you have *inter alia* represented as follows:
 - 2.1. JMFL provides investment management services, amongst other funds, to JM Financial India Fund II (Fund) a scheme of JM Financial India Trust II (Trust). The trust is registered as a Category II Alternative Investment Fund with SEBI since March 30, 2017 under Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 having the following registration number IN/AIF2/16-17/0309.
 - 2.2. During the course of operations, the AIFs 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, interest, etc.) and distribution of (i) and (ii) to the investors.

In certain cases where the amounts may be small, the same are likely to get accumulated at the Fund level and will be distributed to the investor at a later stage. Till the time the funds are distributed to the investors, the same may remain as idle funds.

2.3. The fund 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 an Alternative Investment Fund under the AIF Regulations is in compliance with the provisions of AIF regulations, when it invests its unutilized funds (other than that permitted under Regulation 15(1) (f) of the AIF Regulation) 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 letters have been considered and without necessarily agreeing with your analysis, our view on the issues raised in your letters are as under:

4.1. The provisions under Regulation 15(1) (f) is provided in the interest of investors' w.r.t. Un-invested portion of the investable funds till deployment of these funds as per the investment objective. Considering the same rationale in the interest of investors, SEBI registered AIFs may invest investment income/investment proceeds arising from sale/transfer of the investments or returns from the investment (e.g. dividend or interest on securities) in liquid mutual funds or bank deposits or other liquid assets of higher quality such as Treasury bills, CBLOs, Commercial Papers, Certificates of Deposits, etc. before remitting it back to investors. However to ensure the transparency and disclosure requirements as specified in AIF Regulations, the AIF shall, therefore, disclose the information about the proposed transaction periodically to the investors as mandated under the provisions of regulation 22 of AIF Regulations.



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- 4.2. The provisions of Regulations 15(1) (c) shall remain applicable to all funds including investable funds and investment income/investment proceeds.
5. This above position is based on the information furnished in your letters 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.
6. You may note that the above views are expressed only with respect to the clarification sought in your letters under reference with respect to Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 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