



January 2026

Modalities for migration to Accredited Investor only schemes and relaxations to Large Value Funds for Accredited Investors

On November 18, 2025, the Securities Exchange Board of India (“SEBI”) had notified the SEBI (Alternative Investment Funds (“AIF”) (Third Amendment) Regulations, 2025 (“**Third Amendment**”), to amend the SEBI (Alternative Investment Funds) Regulations, 2012 (“**AIF Regulations**”). Under the Third Amendment, SEBI introduced a new category of AIF schemes known as ‘Accredited Investors Only Fund’ (“**AIOFs**”) along with associated exemptions and relaxations. Following the said notification, SEBI, on December 8, 2025, has issued a Circular (“**Circular**”) setting out the modalities for existing AIF schemes to migrate to AIOFs.

Background to the Circular

AIOFs, which were introduced pursuant to the Third Amendment, are defined as AIFs or schemes of an AIF in which each investor (other than the manager, sponsor, employees or directors of the AIF or of the manager) is an Accredited Investor (“**AI**”) (as defined under the AIF Regulations. AIOFs are an umbrella category of funds or schemes that subsumes the already existing category of Large Value Fund (“**LVFs**”) for AIs. In order to introduce a lighter-touch regulatory framework for AIOFs onboarding AIs, the Third Amendment provided for certain relaxations and exemptions to AIOFs as well as certain additional relaxations for LVFs. For details of such exemptions and relaxations, please refer to the [JSA Prism of December 4, 2025](#).

As per the Third Amendment, existing AIFs or schemes of AIFs launched prior to the notification of the Third Amendment could convert and migrate to AIOFs, subject to the conditions as may be specified. The Circular, which comes into immediate effect, provides for certain modalities to allow for such migration.

Key modalities under the Circular

Launch and naming of AI-only and LVF schemes

Any new scheme proposed to be launched as an AIOF or LVF will have the words ‘AI only fund’ or ‘LVF’ respectively, added to the scheme name at the end. (For example, ‘XYZ AI only fund’ and ‘ABC LVF’).

Migration/conversion of existing schemes

1. Existing eligible AIFs/schemes of AIFs launched prior to the notification of the Third Amendment may convert or migrate to AIOF or LVFs only upon obtaining positive consent from all the investors and subject to meeting the respective regulatory conditions for AIOF or LVF structures.
2. After conversion, the scheme must: (a) change its name to include the 'AI only fund' or 'LVF' suffix; and (b) report the conversion and name change to SEBI and the depositories within 15 (fifteen) days of conversion.

AI status and investor eligibility

The AIF Regulations define 'accredited investors' as investors who meet certain specified financial thresholds, and are granted certificates of accreditation by accreditation agencies. The Circular clarifies that once an investor is onboarded into a scheme as an AI, their status will be reckoned as an AI throughout the life of the scheme, even if such investor were to lose such status in the interim. This allows for long-term certainty for both AIF managers and investors and avoids the need for managers to re-test the AI status of investors in the middle of the fund tenure.

Clarification on tenure extension

The Circular clarifies that an AIOF may extend its tenure by up to 5 (five) years in total, including any tenure extensions already granted before conversion to a AIOF or LVF.

Additional relaxations for LVFs

LVFs receive further compliance relaxations over and above AIOF, consistent with the higher ticket size required for investment in LVFs. Pursuant to the Circular, LVFs are now exempted from:

1. following the standard Private Placement Memorandum ("**PPM**") template as prescribed by SEBI; and
2. the requirement of annual audit of the terms of the PPM.

Notably, each of these exemptions are available to LVFs without the requirement of obtaining specific waivers from investors.

Compliance obligation on trustee/sponsor of AIF

In terms of Paragraph 15.2 of the Master Circular for AIFs, trustees and sponsors of AIFs are required to prepare a 'Compliance Test Report' ("**CTR**"). The CTR is a quarterly certificate confirming that the AIF and its schemes comply with all SEBI AIF regulations, circulars and PPM disclosures. The Circular clarifies that the CTR will also cover compliance with the provisions of the Circular.

Conclusion

Given the lighter-touch regulatory framework made available for AIOFs and LVFs under the Third Amendment, managers and sponsors of existing AIFs have been exploring conversion and migration to AIOFs and LVFs. Now, with the issuance of the Circular, SEBI has paved the way for such conversion by providing more clarity on the modalities for such conversion.

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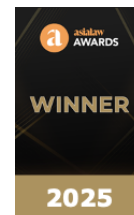
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