



DEPUTY GENERAL MANAGER  
INVESTMENT MANAGEMENT DEPARTMENT  
DIVISION OF FUNDS-6

SEBI/IMD/DoF-6/OW/2020/10786  
June 12, 2020

Ms. Rema Subramanian  
Director  
Ankur Fincom Management Private Limited,  
No.5, Ground Floor, Jetha Compound,  
Dr. Baba Saheb Ambedkar Road,  
Byculla (E), Mumbai - 400 027

Dear Sir,

**Sub: Request for interpretive 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 Ankur Fincom Management Pvt Ltd.**

1. This has reference to your letter dated January 13, 2020 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. Ankur Fincom Management Pvt Ltd (AFMPL) is the Investment Manager to Ankur Capital Fund ("Fund"), which is registered with SEBI as a Category I Alternative Investment Fund- Venture Capital Fund-Angel Fund having the following registration number IN/AIF1/13-14/100.
  - 2.2. The Fund, being an Angel Fund, has a separate scheme for each of its investments and files a separate scheme document with SEBI prior to each investment. Investors have the option to invest or not invest in each scheme. If an investor opts out of an investment, their share of investment or income/ expenses, gains/losses from that scheme shall not be allocated to such investors.

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- 2.3. One of the investors in the Fund is an Indian Insurance Company ("Investor X"). The Fund has invested in Company A, a company registered outside of India, having its operations in India. The investor X did not approve for the Scheme to invest in Company A and the scheme document filed with SEBI also does not list the said investor as participant of that Scheme. Hence Investor X has not contributed for their share of investment in Company A and no income/ expense, gain/loss is allocated to Investor X with respect to the scheme for investment in Company A.
- 2.4. Since each Scheme is a separate vehicle within the Fund, the accounts of investment, income/ expense, gain/loss are maintained separately for each scheme under the Fund.
3. In view of the above, you have sought an interpretive letter under SEBI (Informal Guidance) Scheme, 2003 from SEBI on the following:
- (i) *Query 1: Whether the intent of the Angel Fund Regulations is to provide the option for investors to selectively participate in each Scheme of the Angel Fund*
  - (ii) *Query 2: Whether each scheme of an Angel Fund is an independent vehicle with its own set of investors, who have approved to be part of such scheme*
  - (iii) *Query 3: Whether an investor who does not approve to participate in a particular scheme, they are ring-fenced from that scheme investment under Angel Fund Regulations*
  - (iv) *Query 4: When an investor cannot participate in a scheme due to regulatory limitations, they will be ring fenced from that scheme investment under Angel Fund Regulations. Whether by doing so, they will not be in non-compliance for their investments in other schemes where they have approved, as each scheme is independent under Angel Fund Regulations.*





**4. Relevant legal provisions**

The provisions of SEBI (Alternative Investment Funds) Regulations, 2012 in respect of which guidance are sought are given below:

- (i) Regulation 19E.(1): *The angel fund may launch schemes subject to filing of a term sheet with the Board, containing material information regarding the Scheme, in the format and time period as may be specified by SEBI:*
- (ii) Regulation 19F.(6): *An angel fund may also invest in the securities of companies incorporated outside India subject to such conditions or guidelines that may be stipulated or issued by the Reserve Bank of India and the Board from time to time*
- (iii) Regulation 19G.(3): *The manager of the angel fund shall obtain an undertaking from every angel investor proposing to make investment in a venture capital undertaking, confirming his approval for such an investment, prior to making such an investment*

**5. Our Comments**

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

Response to Query 1:

5.1. Regulation 19G(3) of the SEBI (Alternative Investment Funds) Regulations, 2012, requires a manager of Angel Fund to obtain undertaking of the angel investor confirming his approval before investing the amount of said investor in any venture capital undertaking. Therefore, insofar as investment in angel fund is concerned, the investors may selectively participate in each scheme of the Angel Fund.



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Board of India**

Response to Query 2:

5.2. In accordance with Regulation 19E(1) of the SEBI (Alternative Investment Funds) Regulations, 2012 and SEBI Circular dated June 29, 2018, Angel Funds may launch schemes subject to filing of Term Sheets for their schemes. Further, the format of the Term Sheet as provided under the said Circular requires an Angel Fund to specify the name of scheme, name of Investee Company, number of investors, total capital committed by investors, capital drawn by fund etc. Therefore, each scheme of an Angel Fund is an independent scheme with its own set of investors, who have approved to be part of such scheme.

Response to Query 3:

5.3. An investor in an Angel Fund, who does not grant specific approval to participate in a particular scheme, is not an investor in that particular Scheme. Thus, if an investor has not given approval for investment in any particular investee company, the said investor would not be part of that scheme concerning the said investee company. Therefore, for the purpose of compliance with the provisions of SEBI (Alternative Investment Funds) Regulations, 2012, with regard to Angel Fund, investors in each Scheme are ring-fenced from the activities of the other Schemes of the Angel Fund, in which they have not participated.

Response to Query 4:

5.4. As stated above, an investor in an Angel Fund may selectively participate in investment schemes, each investment being a separate Scheme. An investor in an Angel Fund will be considered the investor of only those specific schemes for which he has granted specific approval to participate. Further, each scheme of an Angel Fund is an independent scheme with its own set of investors, who have approved to be part of such scheme. In this regard, for the purpose of compliance with SEBI (Alternative Investment Funds) Regulations, 2012, the investor would be ring-fenced from other investment Schemes of the Angel Fund for which he has not






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given approval. However, with regard to other schemes in which investor is willing to invest, he may do so in those schemes after giving approval for investment in such scheme subject to compliance with provisions of SEBI (Alternative Investment Funds) Regulations, 2012 and other applicable laws.

6. This position is based on the information furnished in your letter under reference. Different facts or conditions might lead to a different interpretation. Further this letter does not express decision of the Board on the questions referred.
7. You may note that the above views are expressed only with respect to the clarification sought on Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 and do not affect the applicability of any other law and other SEBI Regulations, guidelines and circulars administered by SEBI or of the laws administered by any other authority.

**Yours faithfully,**



**Sanjay Singh Bhati**