

<b>SEBI</b> CA. Bhavesh Vora, CA Jayant Thakur	
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### **SEBI amends AIF Regulations on investment limits by Category III AIFs**

SEBI has amended the SEBI (Alternative Investment Funds) Regulations, 2012 by replacing clause (d) of Regulation 15(1) with a revised clause vide Notification dated 16th March 2022 and with immediate effect from that date. This clause relates to limits on investments by Category III Alternative Investment Fund (AIF) in a particular company. The clause, before amendment, provided for a limit of 10% of investable funds of the AIF in listed equity of an investee company and a limit of 10% of its investable funds in other securities of the investee company. This limit would apply on direct investment as well as investment through in units of other AIFs. The corresponding limits for large value funds for accredited investors of Category III AIFs is twenty per cent.

The new clause makes subtle but significant changes as follows. Category III AIFs are now permitted to invest 10% of its investable funds, directly or through units of other AIFs. The corresponding limits for large value funds for accredited investors of Category III AIFs is twenty per cent. Further, for this purpose, the 10%/20% limit shall be calculated with reference to either the investable funds or the net asset value of the scheme.

### **Informal Guidance by SEBI in Yes Bank Limited case**

SEBI issues informal guidance on queries on various securities laws raised under its Scheme of 2003 set up for this purpose. Thus, entities may benefit from the view of SEBI though the view may have limited binding effect in law.

Vide an informal guidance dated 16th March 2022, SEBI replied to certain queries of Yes Bank Limited (YBL). Essentially, the background and queries were as follows. YBL operated its investment banking activities through its wholly owned subsidiary, which had a referral tie up with asset management companies of alternative investment funds (AIFs). Employees (including their immediate relatives) of YBL could invest through the AIF services offered by YBL. However, YBL may have access to unpublished price sensitive information of various companies and the AIFs may have invested in such companies. The question was whether such units of AIFs are treated as securities under the SEBI (Prohibition of Insider Trading) Regulations, 2015 and the restrictions specified in these Regulations would apply to such employees/relatives (who are Designated Persons under the Regulations) in respect of their investment in such units?

SEBI held that the units of such AIFs were indeed securities under the Regulations. Further, investments in such units would be subject to the restrictions specified in the Regulations.

SEBI conducts search and seizer operations in multiple locations across the country to counter market manipulation through social media platforms

SEBI, vide its press release dated 10th March 2022, stated that it had carried out search and seizure operations on several entities at multiple locations. The objective was to unearth market manipulation being carried out using social media platform (Telegram in this case). SEBI stated that it found that these entities operated 9 Telegram channels having more than 5 million subscribers. The modus operandi, SEBI explained, was that such entities allegedly gave recommendations through such channels for purchase of specified shares. This resulted in artificial increase in volume and prices and these entities allegedly took benefit of this by offloading the shares they held in such companies.

It may also be recollected that SEBI, on 25th January 2022, amended the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 by introducing a revised clause expanding the scope of what is treated as a fraudulent, manipulative or unfair practice. Disseminating information or advice through any media, physical or digital which the disseminator, knows to be false or misleading, in a careless or reckless manner, and whose purpose is to influence the decision of investors is now also covered. Thus, this amended and expanded clause could be possibly applied in the present and future cases.