

AN ASSOCIATION FOR THE COMMUNITY OF
PORTFOLIO MANAGERS REGISTERED WITH
THE SECURITIES & EXCHANGE BOARD OF INDIA



18th Compliance Sutra Session

Conducted on 31st May'2024

Topic:

**Co-Investment Portfolio Manager under SEBI
(Portfolio Managers) Regulations, 2020 and Circulars
issued thereunder**

Conducted by:

BFSI EDGE Compliance Consultants Pvt. Ltd.

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Topics covered

- Introduction
 - Registration as CPMS
 - Regulatory Concessions
 - Portfolio management Agreement
 - Compliance Reporting
 - Limitations
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Introduction

- To benefit the Manager of Category I and Category II AIF who is not a SEBI registered Portfolio manager but wishes to offer Co-Investment services through Portfolio Management route, SEBI has introduced the concept of Co-Investment Portfolio Manager vide amendment to PMS Regulations, 2020 dated 08 December, 2021.
- “Co-investment Portfolio Manager” means a Portfolio Manager who is a Manager of a Category I or Category II Alternative Investment Fund(s); and:
 - (i) provides services only to the investors of such Category I or Category II Alternative Investment Fund(s); and
 - (ii) makes investment only in unlisted securities of investee companies where such Category I or Category II Alternative Investment Fund(s) make investments:

Provided that the Co-investment Portfolio Manager may provide services to investors from any other Category I or Category II Alternative Investment Fund(s) which are managed by them and are also sponsored by the same Sponsor(s);

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Introduction

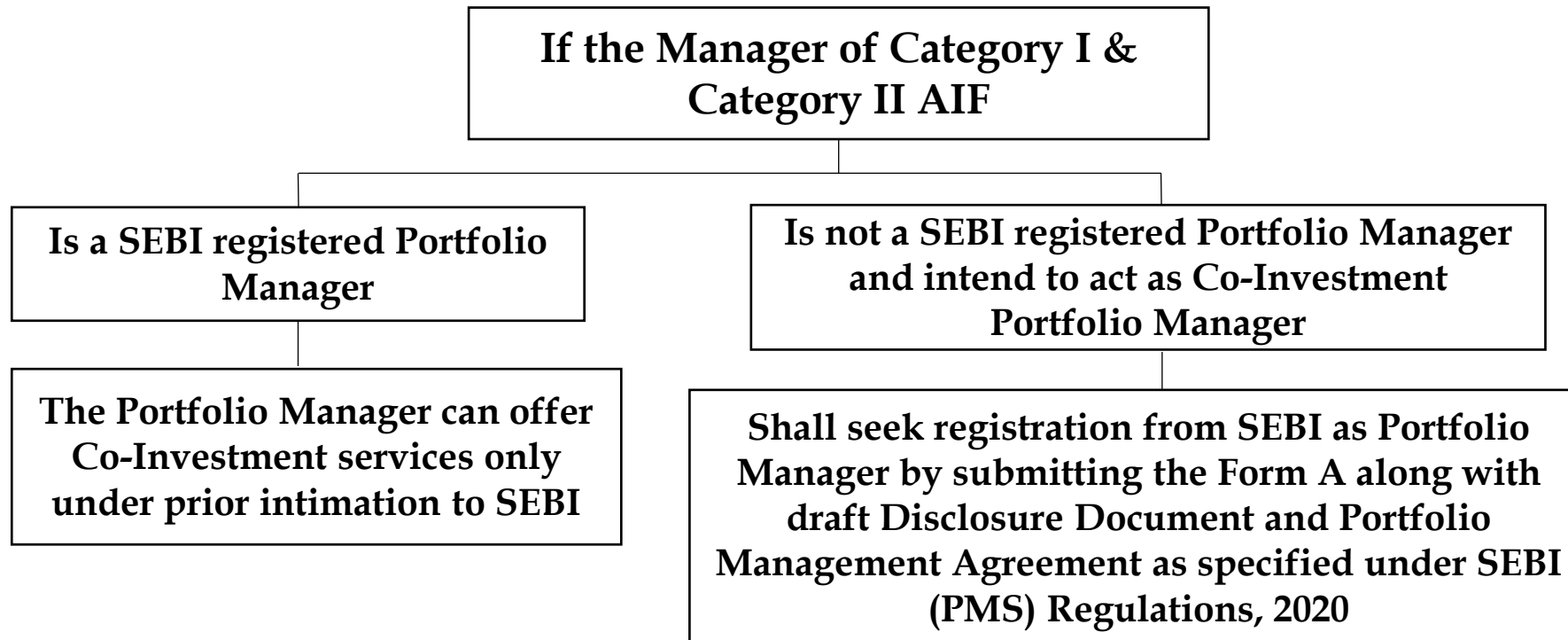
- Under AIF Regulations, “**manager**” means any person or entity who is appointed by the Alternative Investment Fund to manage its investments by whatever name called and may also be same as the sponsor of the Fund;
- Under AIF Regulations, “**sponsor**” means any person or persons who set up the Alternative Investment Fund and includes promoter in case of a company and designated partner in case of a limited liability partnership;

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Registration as Co-Investment Portfolio Manager



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Regulatory Concessions... (1/6)

Regulation Reference	Description	Applicability
7 (2) (d)	Eligibility Criteria of the Principal Officer	Not Applicable if the Co-Investment Portfolio Manager designates a member of the Key Investment Team of the Manager as the principal officer who fulfils either of the criteria specified in clause (g) of regulation 4 of the SEBI (Alternative Investment Funds) Regulations, 2012.
7 (2) (e)	In addition to the Principal Officer and Compliance Officer, the applicant has in its employment at least one person with the qualifications as specified by SEBI	Not Applicable.
7 (2) (g) & 9	Net Worth Requirement of not less than 5 Crore rupees	Not Applicable.

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Regulatory Concessions... (2/6)

Regulation Reference	Description	Applicability
22 (1A)	The portfolio manager may make investments in the securities of its related parties or its associates only after obtaining the prior consent of the client in such manner as may be specified by the Board from time to time	Not Applicable
22 (3) (e)	the performance of the portfolio manager to be calculated through 'Time Weighted Rate of Return'	Not Applicable. It shall be calculated in the manner as agreed between the Co-investment Portfolio Manager and the client.
22 (4) (da)	the details of investment of client's funds by the portfolio manager in the securities of its related parties or associates	Not Applicable

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Regulatory Concessions... (3/6)

Regulation Reference	Description	Applicability
22 (4) (db)	the details of diversification policy of the portfolio manager	Not Applicable
22 (6)	The Provision of ensuring the DD is available on the website of the Portfolio Manager	Not Applicable
23 (2)	The portfolio manager shall not accept from the client, funds or securities worth less than fifty lakh rupees	Not Applicable
24 (1) (b)	Any renewal of portfolio on maturity of the initial period shall be deemed as a fresh placement	Not Applicable
24 (2) (a)	voluntary or compulsory termination of portfolio management services by the portfolio manager or the client is not applicable	Not Applicable

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Regulatory Concessions... (4/6)

Regulation Reference	Description	Applicability
24 (3A)	The portfolio manager shall ensure compliance with the prudential limits on investments as may be specified by the Board	Not Applicable
24 (3C)	The portfolio manager shall not be allowed to invest clients' funds in unrated securities of their related parties or their associates	Not Applicable
24 (3D)	The portfolio manager shall put in place an alert based system to monitor compliance with the prudential limits on investments	Not Applicable

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Regulatory Concessions ... (5/6)

Regulation Reference	Description	Applicability
24 (3E)	The portfolio manager shall ensure investment of its clients' funds on the basis of the credit rating of securities as may be specified by SEBI	Not Applicable
24 (4)	The PM offering non-discretionary or advisory services to clients may invest or provide advice for investment up to 25% of the AUM in unlisted securities.	Not Applicable. According to 24 (4B) - The CPMS shall invest 100% of the AUM in unlisted securities of investee companies where Category I and Category II AIFs managed by it as Manager, make investment.
26	Appointment of the Custodian	Not Applicable
34	Appointment of Compliance Officer who is not a Principal Officer	Not Applicable. Co-Investment Portfolio manager can assign the role of compliance officer to Principal officer appointed under 7 (2) (d)

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Regulatory Concessions... (6/6)

Regulation Reference	Description	Applicability
Paragraph 2.3 of the Master Circular	Direct on-boarding of clients by Portfolio Manager	Not applicable
Paragraph 6.1 of the Master Circular	Fees and Charges	Not Applicable
Paragraph 6.1.4.1 of the Master Circular	Exit Load	Not Applicable
Paragraph 5.3 of the Master Circular and APMI Circular dated 28 September, 2023	Firm-Level Performance Audit	Not Applicable. Provided that the performance of Co-Investment clients, either individually or cumulatively, is not reported or published in any marketing material or website.

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Portfolio Management Agreement

- Regulation 22 (2) and Schedule IV will be applicable.
- In addition to the provisions provided in the above regulations below provision must be added in case of Co-Investment Portfolio Manager:
 - ✓ The terms of co-investment in an investee company by a co-investor, shall not be more favourable than the terms of investment of the Alternative Investment Fund;
 - ✓ The terms of exit from the Co-investment in an investee company including the timing of exit shall be identical to the terms applicable to that of exit of the Alternative Investment Fund
 - ✓ the early withdrawal of funds by the co-investors with respect to Co-investment in investee companies shall be allowed to the extent that the Alternative Investment Fund has also made an exit from respective investment in such investee companies.

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Compliance Reporting Applicability

Reg./Cir Ref.	Reporting Requirement	Applicability
Paragraph 5.1 of the Master Circular	Monthly Reporting	Applicable
Paragraph 5.4 of the Master Circular	Offsite data Reporting	Not Applicable
Paragraph 5.2.2 of the Master Circular	Corporate Governance Report	Applicable
Paragraph 5.2.1.1 of the Master Circular	Certificate of Compliance with regulations	Applicable
Paragraph 5.3.1 of the Master Circular	Certificate of Compliance with Performance reporting guidelines	Not Applicable
Paragraph 5.2.1.1 of the Master Circular	Certificate of Compliance with the Net Worth requirement	Not Applicable

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Compliance Reporting Applicability

Reg./Cir Ref.	Reporting Requirement	Applicability
Paragraph 5.5 of the Master Circular	Reports furnished to client as per the format specified by SEBI	Applicable
Paragraph 5.2.2.1 of the Master Circular	Quarterly report to be placed before the Board of Directors	Applicable
Paragraph 5.2.2.2 of the Master Circular	Internal Audit in accordance with PMS Regulations, 2020	Applicable

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Limitations

- The Co-Investment Portfolio Manager (“CPMS”) has the below limitation:
 - They can only accept clients who are contributors in the Category I & Category II AIFs where the CPMS acts as a Manager.
 - They can only invest in the investee companies of the Category I & Category II AIFs where the CPMS acts as a Manager.
 - In case they wish to offer Discretionary, Non-Discretionary or advisory Services then they have to comply with the PMS regulations, 2020 and obtain prior approval from SEBI.

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BFSI EDGE Compliance Consultants Pvt Ltd

Centrally located in the heart of Mumbai's business district at Dadar, BFSI EDGE and its team of experienced professionals are well equipped with the necessary infrastructure, expertise and organizational strength required to provide a comprehensive range of services to clients all over India.

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