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NEWS & VIEWS


MONTHLY BULLETIN - OCT 2017




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FROM THE CEO'S DESK

Dear Patrons,

"An invasion of armies can be resisted, but not an idea whose time has come." - Victor Hugo

My conviction in the India story has been unwaveringly staunch, and, in context of the aforementioned quote, I strongly believe that India is the "Idea" whose time has come. The Modi government has successfully pulled off some big-bang and long-awaited reforms, firmly setting the

country on a long-term sustainable growth path. Today, global investors are looking at India with renewed interest and dramatically altered perspectives—those who had earlier never considered this opportunity significant, are taking a serious relook and this trend is only accelerating.

With such tectonic macro economic changes underway in the country, **Edelweiss' Prime Services** team has been presenting the India opportunity to global investors with customised **one-stop offerings** like India Access, Custody & Clearing Services, Bespoke Research, Seamless Execution and Integrated Risk Management Services.

Commitment to Excellence is the bedrock of our client servicing strategy. Stringent adherence to this core philosophy has propelled Edelweiss into the top echelons in the recent **Global Custodian India Domestic Survey 2017**, winning it the "Relationship Management & Client Service Outperformer" tag.

Our diligent customised services focus with India specialisation has led to many marquee global hedge funds and long-only investors choosing Edelweiss over competition, encouraging us to continue to do our best. My evaluation of this transition throws up an interesting trend - *doing business with global players in local markets is becoming obsolete. Relying on local experts for local markets is the new age mantra. We promise to be your Best local expert and partner.*

It's just the beginning!

I invite you to read our latest initiative **Prime Time**, a monthly newsletter with relevant capture of regulatory and market updates across asset classes and guest articles penned by eminent thought leaders in the market.

We strive to reach out to all those funds that are seeking India in their portfolios.

We look forward to servicing you!



Vikas Khemani

Vikas Khemani
President & CEO,
Edelweiss Securities Ltd.

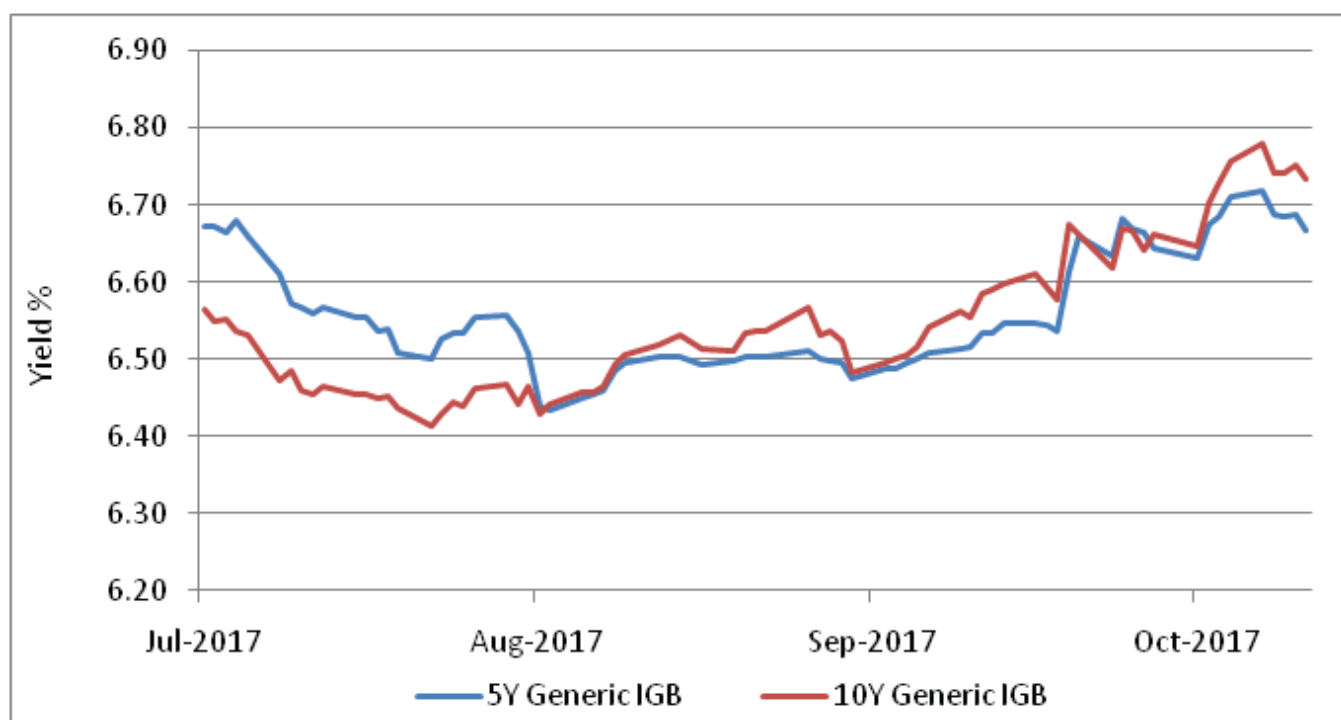


MARKET UPDATE

FIXED INCOME

The bond markets have been caught in a grip of bearish sentiment for the better part of the last quarter. The main trigger for the sharp turnaround in sentiment has been the oversupply concern due to the regular OMO sales and the sizable SDL borrowing lined up for the current quarter and the next.

This concern is being priced in to a reasonable extent in current valuations as evidenced by the ~40 bps uptick in G-Sec yields. Although inflation is not in a threatening zone, there is very limited scope of a rate cut before the Jan-Mar quarter as the MPC would also closely watch the proceedings on the fiscal front and the Union Budget. The minutes of the last MPC meeting also show a distinct preference to remain in a wait and watch mode.



FOREX



GBPUSD

Pound remains vulnerable to political factors as no deal scenario between UK and EU can derail UK economy and GBP. Earlier this month, Theresa May had conceded for the first time that Brexit negotiations have been in difficulty. Moreover clock is ticking for the Article 50 negotiations which are to be completed by March 2019 in accordance with 2 year deadline. UK inflation is also inching upwards complicating policy choices for Bank of England.



USDJPY

Japan CPI Inflation continues to hover much below the target of 2% set by Bank of Japan (BoJ) ensuring continuation of ultra monetary easing policy. Apart from Bank of Japan's comfort for a weaker Yen; monetary policy divergence between US and Japan continue to exert depreciating pressure on Yen. As Fed continues to tighten with BoJ on pause, widening rate differential in favour of US is putting upward pressure on USDJPY.

In absence of any geo-political risk, USDJPY is trading with an upward bias following widening yield differential with US. Further, victory of Shinzo Abe in recently concluded election by two-third majority suggests continuation of Abenomics which include ultra easing monetary policy as an important pillar.



USDINR

After a sharp spike-up in September and early October, USDINR pair is once again trending downwards. The recent Bank Recapitalisation plan has brightened outlook about India growth story and we are also witnessing gradual inching up of high frequency data suggesting uptick in growth. Sharp jump in Ease of Doing Business ranking is another big positive. With macro-stability parameters (inflation, CAD, fiscal deficit) staying benign and growth showing an uptick, fund inflows have resumed putting appreciating pressure on the currency.

EQUITY

Equity markets continue to remain strong, making fresh highs helped by global as well as domestic factors. Indian equities have rallied by 3.5% in last 3 months led by financials. The sharp rally was largely due to government's continued reform push. The most recent one of them is the unprecedented bank re-capitalisation, which will result in stronger banks – one of the key foundation for strong growth.

Also, some of the recent macro data such as IIP, exports, core sector have been encouraging, suggesting that hiccups owing to GST implementation are fading away. The improving macro economic recovery along with government reforms should continue to keep the market bouyant. Our institutional team's Nifty target is 11,100 by June 2018.





REGULATORY UPDATES

FOR DOMESTIC CLIENTS



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Disclosures by listed entities of defaults on payment of interest/ repayment of principal amount on loans from banks / financial institutions, debt securities, etc
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Integration of broking activities in Equity Markets and Commodity Derivatives Markets under single entity
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Clarification to Enhanced Supervision Circular
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FOR DOMESTIC & FPI CLIENTS



Discussion Paper on Growth and Development of Equity Derivatives Market in India

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Clarification on Exchange Traded Option contracts on EUR-INR, GBP-INR and JPY-INR currency pairs

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FOR FPI CLIENTS

JUL
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Consultation Paper on Easing of Access Norms for Investment by FPIs

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Issuance, listing and trading of debt securities on exchanges in International Financial Services Centres (IFSC)

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Clarification on Exchange Traded Cross Currency Derivatives contracts on EUR-USD, GBP-USD and USD-JPY currency pairs

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Investment by Foreign Portfolio Investors in Corporate Debt Securities

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Participation of Foreign Portfolio Investors (FPIs) in Commodity Derivatives in IFSC

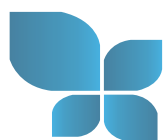
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SEP
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Foreign Portfolio Investment in Corporate Debt Securities

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GUEST COLUMN - 01



Regulatory Vibrancy in the Capital Markets

Naresh Makhijani

Partner and Head Financial Services, KPMG

On 28 September 2017 a symposium on the topic “Building the Financial System of the 21st Century” was held at New Delhi wherein the SEBI Chairman, Shri Ajay Tyagi, focusing on two broad trends: Globally Integrated World and Technology, commented as follows:

“The world economy is becoming increasingly integrated and globalized, whether in terms of trade integration or in terms of capital flows. In the backdrop of this, it is imperative that our capital market continues to be efficient, liquid and competitive across various parameters which inter alia include:

- Availability of wide array of products, across asset classes, which satisfy varying risk preferences of different types of investors;
- Frictionless ease of doing business for all stakeholders.”

The SEBI’s activism on both the said parameters can hardly be overemphasized. In terms of the products that provide exposure to multiple asset classes, the bouquet ranges from plain vanilla equity / debt products to sophisticated new age instruments such as derivatives, units of AIFs, REITs, InVITs and the like. Further, it is not only the array of products that matters but the effort to make those products work from the perspective of all the stakeholders (viz. the issuers, the intermediaries and the investors) involved is what essentially matters. The SEBI has from time to time been trying to achieve this by modifying / relaxing its regulatory requirements—the recent noteworthy amendments are

- Current exemption from open offer obligation is available only to lenders who acquire shares of listed companies in distress through Strategic Debt Restructuring (SDR) scheme in terms of the guidelines of the RBI. Effective 14 August 2017, the said exemption is now extended to investors acquiring such shares from lenders.
- Granted exemption from open offer for acquisition pursuant to resolution plan approved by NCLT under the Insolvency and Bankruptcy Code, 2016.
- Lock-in of one year applicable to pre-issue capital held by persons, other than promoters, not to apply to Category II AIF.

- REITs and InVITs are proposed to be allowed to raise debt capital by issuing debt securities (amendment to the Regulations - yet to be notified).
- Ease of corporate debt investment limits pursuant to the RBI taking away the rupee-denominated bonds from the combined corporate debt limit.

In addition to these modifications, to enable frictionless ease of doing business the SEBI recently made following changes:

- Amended the Securities Contract Regulation Rules to permit stock brokers dealing in securities to also deal in commodity derivatives and vice-versa, thereby permitting a stock broking entity to deal in both commodity derivatives and securities under one single entity.
- Operationalizing the SEBI Intermediary Portal for online application for registration, processing of application, grant of final registration, application for surrender/cancellation, etc.. by the intermediaries.

The regulatory vibrancy on the part of the SEBI has been the bedrock of development of capital market in India which on many counts score better than the capital market of some of the developed countries. As the Indian economy continues to grow, it is imperative that this regulatory vibrancy continues so as to ensure the development of the capital market alongside meeting the stakeholders' expectations.

Naresh Makhijani

The information contained herein is of a general nature and is not intended to address the specific circumstances of any particular individual or entity. The views and opinions expressed herein are those of the author and do not necessarily represent the views and opinions of KPMG in India.





GUEST COLUMN - 02



Managing Offshore Funds from India to be a Reality Soon

Sunil Gidwani

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India's growth story has attracted foreign investment into the country. In the public market space, Foreign Portfolio Investors (FPIs) have been an important driver impacting Indian stock markets. Currently, there are 8,837 entities investing in India via this route with a total investment of approximately INR 1,706 billion in Indian securities, in the calendar year 2017. (datasource: fpi.nsdl.co.in)

Recently, the safe harbour regime has been in discussions, wherein domestic asset management companies from India can manage offshore funds. This concept was prevalent in the past too, whereby, certain offshore funds were granted specific approval to invest in domestic mutual fund schemes managed by domestic fund houses with a waiver to comply with the 20-25 Rule (minimum 20 investors with no investor holding more than 25% investment) as provided under the SEBI (Mutual Fund) Regulations. Thus, these offshore funds continue to be managed locally, though the instances are few.

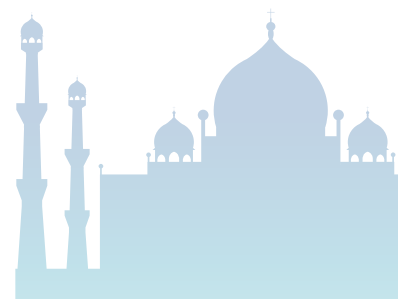
SAFE HARBOUR REGIME

Trading safe harbour regime was first enacted in 2015 in India, in part, to stem the flow of Indian portfolio managers who were relocating outside of India to manage India-focused funds.

Trading safe harbour, as the name suggests, provides a safe harbour for funds investing in India from being treated as a tax resident of India or creating a business connection of the fund in India as a result of the activities undertaken by the fund manager in India. If the fund creates a taxable presence in India, it could, amongst others, be subject to higher taxes resulting in disparity in economic returns vis-à-vis other funds that are not managed from India. This has been the prime reason for India focused funds being managed from outside India. As Indian fund managers are on ground, it is possible for them to manage investments in real time. In the past, to bridge the gap, overseas fund managers used to delegate advisory role to Indian managers.

RECENT RELAXATIONS

As FPIs that are registered as Category I and II are largely regulated and consist of broad based funds such as mutual funds, pension funds, sovereign funds, insurance companies, etc., the CBDT recently relaxed the following investor diversification conditions for them:



- The fund has a minimum of 25 members who are, directly or indirectly, not connected persons
- Any member of the fund along with connected persons shall not have any participation interest, directly or indirectly, in the fund exceeding 10%; and
- The aggregate participation interest, directly or indirectly, of 10 or less members along with their connected persons in the fund, shall be less than 50%

In addition, there was a requirement for the overseas fund to be a tax resident of a country which, amongst others, has a tax treaty with India or is specified in this context. The CBDT has provided a list of 121 countries/ specified territories where the offshore fund should be established or incorporated or registered. This includes some of the countries/specified territories such as British Virgin Islands, Cayman Islands, Guernsey, etc., with which India does not have a tax treaty.

These changes seem to have opened doors for fund managers in India to approach Category-I and Category-II FPIs to manage their Indian assets. Safe harbour regime also provides opportunities for foreign portfolio managers to re-locate to India, some of which were housed in Singapore/Hong Kong entities, to have real time market information.

WHAT MORE TO EXPECT

From 2015 until date, there are not practical instances of offshore funds being managed from India. The reason seems to be twofold – asset management regulations in overseas jurisdictions and certain conditions included in the regime posing practical challenges.

Conditions required to be fulfilled by offshore funds, which still pose as an impediment to becoming an eligible investment fund, namely:

- Direct or indirect investment in the offshore fund by Indian residents should not exceed 5% of the corpus of the fund - there are practical challenges for asset managers in certifying the “indirect” investment condition;
- The fund and the fund manager should not be “connected persons”
- The fund manager shall not, along with connected persons, be entitled to directly, or indirectly, more than 20% of the profits arising to the offshore fund – there being practical challenges in loss cases.

As Category-I and Category-II FPIs are regulated by the SEBI, a simple way could be to exempt them from the above conditions as well.

The next step can be monitoring developments for guidance on safe harbour regime that may be included in the forthcoming Budget. The last few actions by the Government (after consulting various industry bodies, market participants) could make “safe harbour” a reality in India with at least India-focused funds being managed from India.



GUEST COLUMN - 03



Transparency and Capital Markets

Anish Thacker

Partner, Ernst & Young LLP

With the onset of globalization, various investors are acquiring and managing investments globally through offshore financial institutions. In absence of global regulations, the identification of the 'real' investor becomes a challenge as does the process of getting certainty on the 'source' of investment. With the increasing instances of unsavoury incidents across the globe, the endeavour to identify and curb the source of the funding of these activities has become a key area of focus, necessitating increased transparency of the investment in capital markets. Regulators and tax authorities in the G-20 countries are realising this and coming up with measures to achieve this desired objective.

India has always been a 'beneficial owner' market. The emphasis of the Securities and Exchange Board of India (SEBI) has always been to make the investment process into the Indian Capital markets transparent and yet simple for foreign investor, in particular institutional investors. The tax authorities in India, on their part are also supporting Automatic Exchange of Information (AEOI) by enacting rules to co-operate with the G-20 countries in this regard.

In this article, we take a look at some of these initiatives and their potential impact on investment into the Indian capital markets.

THE FOREIGN ACCOUNT TAX COMPLIANCE ACT/ COMMON REPORTING STANDARD

It was observed by the tax regulators globally that citizens of various countries park their wealth with foreign financial institutions (FFIs) to not suffer taxation in their home country on the income generated from such wealth.

In order to combat such tax evasion by the USA citizens/ residents, United States of America (USA) introduced The Foreign Account Tax Compliance Act (FATCA) in 2010. FATCA requires FFIs to share information about the financial accounts held by USA citizens/ residents for tax purposes to the United States Internal Revenue Service (IRS). Where the USA account holders fail to provide the required certification/ documentations to establish their FATCA status, or the FFIs fail to report the required information as per the FATCA regulations, FFIs are required to withhold taxes at the rate of 30 percent from any U.S. Sourced Withholdable Payments (i.e. dividend, interest, royalty or any other income from a source in the USA) and potentially not even get credit for the said tax in their home country.



Similar to FATCA, Organization for Economic Co-operation and Development (OECD) issued a standard for Automatic Exchange of Information (AEOI) in tax matters called as 'Common Reporting Standard' (CRS). CRS requires financial institutions globally to share information about the financial accounts held by the non-residents (other than U.S. citizens and residents for tax purpose). CRS is slightly different from FATCA as it is only a reporting standard and does not deal with tax withholding.

The Government of India (GOI) in its support to the AEOI signed the Inter Governmental Agreement (India IGA) with the Govt. of US on 9 July 2015 and joined the Multilateral Competent Authority Agreement (MCAA) on 3 June 2015 to enable the Indian FI comply with FATCA and CRS.

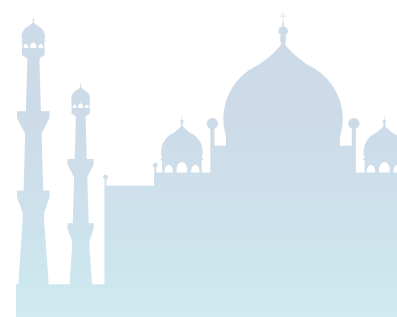
Authority Agreement (MCAA) on 3 June 2015 to enable the Indian FI comply with FATCA and CRS.

For implementing the India IGA and the MCAA, necessary amendments were made to the Income-tax Act, 1961 (Act). Further, after taking into consideration the feedback from various stakeholders, a Guidance note was released by the Government of India on 30 November 2016 to explain the complex reporting requirements and provide further guidance in relation to registration of persons, due diligence procedures and maintenance and reporting of information by the FI in India.

As per the guidance note, the compliance relation to reporting under FATCA and CRS can be broken down into the following steps:

- Who is required to report? - Firstly, the entity should determine whether it is a Reporting Financial Institution (RFI);
- What is required to be reported? - Then, the RFI should apply due diligence to review its financial accounts and find out which financial accounts as Reportable accounts. Once an account is identified as a Reportable account, the RFI needs to report specified information as prescribed in Rule 114G
- How should the information be reported? - Every RFI is required to report the specified information in Form 61B or Nil statement

Initiatives such as FATCA and CRS have cast obligations on FFIs to review and collect information in an effort to identify an account holder's country of residence and then in turn, to provide certain specified account information to the home country's tax regulators. This will ensure flow of financial information between tax regulators of various countries and in turn lead to greater transparency and accountability in the global financial and capital markets. Having said the above, the said initiatives do present financial institutions and account holders certain operational challenges in the short term. Collation of information and distilling data of reportable accounts has resulted in significant outlay for financial institutions entailing changes to systems and that is not all. Revenue expenditure on customer education, data collection etc. also has been substantial and a fear lurks that this is only the tip of the iceberg. Who knows if the reporting requirements increase substantially in the future?



MONITORING OF P-NOTES

Participatory Notes (P-Notes) are Offshore Derivative Instruments (ODI) issued by global financial institutions to the overseas investors who want to invest in Indian capital markets/ Indian securities without being registered with the SEBI. The underlying assets could be equities, debt or derivatives. They provide indirect exposure to Indian capital markets. Traditionally, this used to be a preferred method for most foreign investors whose exposure is low as it is a simple and cost effective instrument.

In absence of various disclosure requirements and checks, apprehensions have been expressed that various investors misused this route. The Indian regulators suspected that these instruments were used to legalise unaccounted money and accordingly took various measures such as stringent reporting requirements, prohibiting certain investors from accessing this route to curb the misuse.

As a part of this, SEBI has tightened the ODI norms by levying a regulatory fee of USD 1000 per ODI client of the prime broker. SEBI has also prohibited ODIs from being issued against derivatives except for those being used for hedging.

Given the practical difficulty in defining a 'speculative purpose' or 'naked speculation' and increased compliance and regulatory requirements, ODI clients are attempting to be discouraged from taken positions with no physical Indian underlying.

To conclude, transparency in capital market transactions is an important area of focus, particularly in India today. As India deals with challenges of sustainable and consistent economic growth in a very dynamic environment, both within and outside its borders, it will need to factor short-term pain caused by implementation of transparency initiatives. These however are clearly beneficial to all in the longer term but in an era of time being crunched for anything and everything, one hopes that the time of pain and effort is also crunched with intelligent use of technological tools (which have been and which will be further developed) like all other areas of our lives today. Change is the only constant and accepting and embracing change (which is for the better) should be the way to go for the markets.



GUEST COLUMN - 04



Alternative Investment Funds in India

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Nisha Shah

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INTRODUCTION

The markets have held steady in the last few months inspite of slowdown in FPI investments since April 2017 thanks to the buoyant investments by domestic institutional investors and AIFs are the new kids on the block which can propel this trend further. This article discusses the broad framework of AIFs and analyses the current tax implications and issues.

A potential investor can look at plain vanilla direct investments into asset classes like stock, bonds, fixed deposits, real estate etc. and other mode of investment like mutual funds and portfolio management services (PMS). Launching a mutual fund is a gigantic job, needs to have a large scale, is strictly regulated and cannot be done without corporate support. PMS is not a pooled vehicle – it is a managed account structure with operational issues, high engagement and cost structure. Both structures are highly restrictive for a fund manager in terms of limited assets classes, restrictions on shorting and derivatives, lack of leverage opportunities etc. Can a AIF combine the positives of the mutual fund and PMS and be looked as an alternative to these investment structures?

Particulars	Cumulative figures since 2012 till	
	June 2017	June 2016
Commitments raised	₹96,021	₹50,441
Funds raised	₹48,129	₹26,00
Investment made	₹39,308	₹20,667

A large number of funds have registered under the AIF umbrella so far. The total AIFs registered under different categories totals to 346 as on 31 August 2017. The data available on SEBI's website as on June 2017 is as under (all figures in crores):



MEANING AND TYPES OF AIFS

In simple words, an AIF is an alternative to conventional mode or vehicle of investment like direct investment into assets, PMS, Mutual funds etc. The scope and flexibility of AIF is much wider than a VCF.

The term 'AIF' is defined in the AIF Regulations as any privately pooled investment vehicle collecting funds from investors whether Indian or foreign, for investing in accordance with a defined investment policy. The investment vehicle could be in the form of a trust, incorporated body or limited liability partnership. Apart from specific exclusions for certain funds/ trusts, any fund which comes under the sphere of any existing SEBI regulations governing the management of funds (e.g. Mutual Funds, Collective Investment Schemes), or any other regulatory bodies such as IRDA, RBI would not be regarded as an AIF.

Depending on macro-economic factors, its impact on the economy and the type of investments which can be made, there are three broad categories of AIFs:

1. **Category I** - AIFs which invest in start-up or early stage ventures, social ventures, SMEs, infrastructure or other sectors which have a positive effect on the economy and are considered as socially and economically desirable. Such AIFs invest in an investee entity or another Category I AIF and include venture capital funds, SME funds, social venture funds, infrastructure funds, angel funds, etc. Such funds usually attract concessions and incentives from the government.
2. **Category II** - AIFs, which are not covered in Category I or Category III and which do not undertake leverage or borrowing other than to meet day-to-day operational requirements. Such AIFs primarily invests in unlisted securities or Category I and Category II AIFs and include private equity funds or debt funds. These AIFs do not enjoy any specific incentives or concessions from the government or any regulator.
3. **Category III** - AIFs, which employ diverse or complex trading strategies and may employ leverage including through investment in listed or unlisted derivatives. These AIFs include hedge funds or fund of funds having investment strategies like long only, long-short, derivatives, absolute return etc.

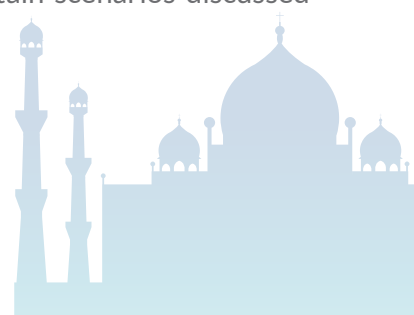
Category III AIFs can also invest in other Category I and II AIFs. These funds do not get any incentives from the government or any regulator.

REGULATORY ASPECTS

One of the key advantages of an AIF is that it promotes domestic management of the AIF by allowing Indian managed and sponsored AIFs with foreign investment to invest in Indian companies without being restricted by the FDI norms. This will boost a shift from 'co-investment' structures to 'unified' structures.

TAXATION OF AIFS

Globally, it is a common practice to provide such funds a "tax pass through" status to ensure taxation at the investor level based on their status. "Tax pass through" status means the income accruing from such funds is exempted from tax in the hands of the fund and such income is chargeable to income-tax in the hands of the investor in the same manner as if the investments made by the fund have been made directly by such investor. The 'tax pass through' status is particularly critical to investors in certain scenarios discussed below:



- Where the income earned by the fund is taxable at the fund level but is tax free for the investor;
- Where any loss incurred by investors can be set-off against the income earned by the fund, but the same cannot be set-off by the fund for practical reasons.

Category I & Category II AIFs

Category I and Category II AIFs registered with the SEBI have been allowed pass through status if the income earned by such AIFs is non-business income. However, such AIFs are required to withhold tax on any income credited or paid by the AIFs at the rate of 10% for resident investors and as per “rates in force” for non-resident investors. In case the AIF earns business income, it is taxed at the AIF level at the maximum marginal rate (MMR) and the distributions are accordingly tax free for the investors without any further withholding requirement.

The investee entity paying any income to the AIFs are not required to withhold any tax. This reduces administrative difficulty for investors in claiming tax credit. One issue which comes up however is that pass through status is not allowed for losses and the same needs to be carried forward by the AIF which is unlike the normal trust tax principles.

Category III AIFs

Pass through status has not been granted to Category III AIFs. Since most AIFs are setup as trusts, one has to therefore consider the existing trust taxation provisions to analyze the tax implications of a AIF.

Under the trust taxation provisions, it needs to be evaluated whether the trust / contributions are revocable or irrevocable (right to retransfer the settlement / contributions) and whether trust is established as a determinate or indeterminate to conclude on the tax implications. Concluding this itself is an intricate affair and the tax implications are even more multifaceted and complex.

While there are handful of judgments on trust taxation, the industry has more or less concluded on the taxability of such AIFs and tax payment mechanism depending on the investment strategy and the terms for the investors.

Where the trust is specific / determinate i.e. the beneficiaries are identifiable with their shares being known, tax is levied on and recovered from the trustee in a like manner and to the same extent as it would be levied on the investors. Majority of the judgments have concluded that if there is a pre-determined formula and the investors are identifiable, it could be considered a determinate trust. However, based on the CBDT circular of 2014 and recent rulings, tax authorities may treat a trust as indeterminate. These contentions can be overcome based on appropriate investment structure and fund documentation.

Even if the tax authorities were to assess the beneficiaries directly, in no case there can be double taxation of the same income or recovery of taxes from beneficiaries if taxes are already paid at the trust level.

On revocability, a recent Bangalore Tribunal confirms that income arising to a trust will be taxable in the hands of the contributors where the contributions are revocable in nature. Related issues include liability of withholding tax on the fund; differential treatment of unit-holders basis their residential status and treaty advantages for non-resident unit-holders, risk of income being considered as business income etc.

The tax uncertainty discussed above puts Category III AIFs at a disadvantage as compared to offshore funds with similar strategies. The government needs to provide more clarity to bring the Category III AIFs on par with offshore funds as the government is keen to promote the domestic fund management industry.

CONCLUSION

Overall, the AIF Regulations have been a welcome change for the Indian economy and have been quite successful in channeling investments for the desired objectives. To achieve fair amount of certainty on taxation of AIFs, proper fund documentation is critical in ensuring protection for fund managers and sponsors from exposure to legal, tax and regulatory risks.





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