

Accredited Investors only Schemes and Large Value Funds –

SEBI's blueprint for a sophisticated Alternative Investment landscape

24 September 2025

The Securities and Exchange Board of India (SEBI), in its board meeting dated 12 September 2025 (Board Meeting), approved a comprehensive set of regulatory amendments to the existing accredited investor framework and the regulatory framework relating to Large Value Funds (LVFs), pursuant to which the following key regulatory amendments have been introduced:

- New category of Alternative Investment Fund (AIF) schemes for pooling capital exclusively from Accredited Investors (Accredited Investors-only schemes).
- Reduction of the minimum investment threshold for LVFs from INR 700 million to INR 250 million.
- Permitting existing eligible AIFs to reclassify themselves either as an Accredited Investors-only schemes or as LVFs.

Background

The Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 (AIF Regulations) were introduced with the objective of maintaining a light-touch regulatory approach, whereby the regulations would lay down only the broad governing framework, leaving the commercial terms to be determined between the fund manager and its investors. However, with the rapid growth of the industry, SEBI has, over time, introduced several changes to the governance and disclosure framework aimed at protecting investor interests, including standardisation of the private placement memorandum and filing it through a merchant banker.

While SEBI's intent behind introducing such guiderails was well meaning, their universal applicability curtailed the flexibility of institutional investors and sophisticated investors, who are otherwise equipped to assess and navigate bespoke risks, from participating in AIFs that could offer risk-reward profiles aligned with their investment appetite.

In order to address this industry demand, on 17 June 2025, SEBI issued a consultation paper proposing the introduction of a separate category of AIFs exclusively for Accredited Investors. The paper emphasised that such AIFs would benefit from a lighter-touch regulatory regime, including exemptions from the pari-passu rights requirement, longer tenure extensions, waiver of NISM certification norms for key investment team members and unlimited investor participation.

In its Board Meeting, SEBI approved the notification of this new framework for Accredited Investor-only schemes and the overhaul of the LVF framework, lowering the minimum investment ticket size for LVFs from INR 700 million to INR 250 million.

Key Elements of the Revised Regulatory Framework

1. Accredited Investors-only Schemes

Key features of Accredited Investors-only schemes include:

- Operational flexibility: The tenure of Accredited Investor-only schemes may be extended by up to 5 (five) years. The amendments have been premised on the fact that 'Accredited Consultation Paper' on extending certain flexibilities under accreditation framework longer periods, thereby enabling fund managers to hold assets longer and exit at more opportune times, even if delayed from originally anticipated timelines.
- Exemption from pari-passu requirement: These schemes will be exempt from the requirement of maintaining rights pari-passu among investors, subject to a waiver provided by each investor, i.e., differential rights may be offered to select investors of a scheme of an AIF. This allows managers to design bespoke structures for anchor investors, strengthening fundraising prospects and accommodating diverse investor preferences.
- Removal of 1,000-investor cap: Unlike existing AIFs, which are capped at 1,000 investors per scheme, Accredited Investors-only schemes will have no such limit, offering managers greater outreach flexibility (subject to private placement norms).

Separately, in the 'Consultation Paper on extending certain flexibilities under accreditation framework' dated 17 June 2025 ([Consultation Paper](#)), SEBI proposed process-related relaxations which could lead to faster accreditation or onboarding. These include allowing AIF managers to provisionally onboard investors, subject to later certification by accreditation agencies, and expanding the set of entities eligible to act as accreditation agencies (as opposed to the existing criteria of only subsidiaries of Stock Exchanges or Depositories acting as the accreditation agencies) to streamline the process.

2. Revision of Large Value Fund Thresholds

SEBI has reduced the minimum commitment for LVFs from INR 700 million to INR 250 million. This reform is expected to broaden investor participation, particularly from domestic institutional investors who were previously constrained by investment concentration limits under their regulatory frameworks.

3. Transition and Opt-In Mechanism

SEBI has provided flexibility for existing AIFs to transition into either Accredited Investors-only schemes or LVF classification, without affecting operational continuity. This levels the playing field for existing managers who were previously unable to launch such structures due to regulatory constraints.

Analysis

SEBI's framework provides enhanced operational flexibility to managers, primarily through extended fund tenures and the ability to structure tailored arrangements for strategic investors. Investors stand to gain by negotiating differential rights instead of being bound by pari-passu terms, enabling participation in bespoke investment products that align with their strategies, risk appetites, and return expectations.

Although SEBI has addressed concerns around prolonged accreditation timelines by proposing process related relaxations in the Consultation Paper, the higher costs associated with obtaining and maintaining accreditation could act as a dampener. While a three-year validity is reasonable, reducing the cost of accreditation would help ensure seamless onboarding of Accredited Investors and improve capital flow.

Overall, SEBI's reforms signal a strong intent to create a vibrant ecosystem for the AIF industry and to unlock both domestic and offshore pools of capital seeking greater flexibility on par with what global fund managers enjoy in their jurisdictions. By empowering sophisticated investors and easing entry for institutional capital, SEBI is paving the way for deeper market participation while maintaining governance standard.

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