

## Circular

**Circular No. PFRDA/2016/8/PFM/02**

**Date: 08.04.2016**

**Subject: Investment in 'Alternative Investment Funds (AIF)'**

1. Investment in SEBI Regulated 'Alternative Investment Funds' AIF (Category I and Category II only) as defined under the SEBI (Alternative Investment Fund) regulations 2012 are permitted for the NPS Schemes (Other than Govt. Sector (CG &SG), Corporate CG, NPS Lite and APY) with a ceiling of 2% of the Pension Fund Corpus.
2. This would be an addition and to be read in continuation with circular no PFRDA/2015/PFM/08 dated 02.09.2015 - Investment Guidelines for NPS Schemes (Other than Govt. Sector (CG &SG), Corporate CG, NPS Lite and APY)
3. The permitted funds under category I are Infrastructure Funds, SME Funds, Venture Capital Funds and social venture capital funds as detailed in Alternative Investment Funds Regulations , 2012 by SEBI.
4. For category II AIF as per Alternative Investment Funds Regulations, 2012 by SEBI, at least 51% of the funds of such AIF shall be invested in either of the infrastructure entities or SMEs or venture capital or social welfare entities.
5. The investment in category I & II of AIF shall be included under the Asset backed, Trust structured and miscellaneous investments with a cap of 5%.
6. Pension Fund shall only invest in AIFs whose corpus is equal to or more than Rs. 100 crores.
7. The Pension Funds shall invest in only those AIFs having a minimum rating of AA and above from at least one rating agency except in case of Govt. owned AIFs.
8. The exposure to single AIF shall not exceed 10% of the AIF size.
9. Pension funds to ensure that funds should not be invested in securities of the companies or Funds incorporated and operated outside the India in violation of section 25 of the PFRDA Act 2013.
10. The sponsors of the Alternative investment funds should not be the promoter in Pension fund or the promoter group of the Pension Fund.
11. The AIFs shall not be managed by Investment manager, who is directly or indirectly controlled or managed by Pension fund or the promoter group of the Pension Fund.
12. Pension fund to ensure and apply all measures of due diligence in the best interest of subscribers before investing in AIF. Pension Funds are advised to consider all the risks such as liquidity risk, integrity risk, operational risk, and control issues and conflicts of interest while making a decision to invest in AIFs and these are to be documented while making such decisions for scrutiny by Authority/NPS Trust.
13. This will be w.e.f. 15.04.2016.