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SEBI GARUDA: Green-Channel Framework to Fast-Track AIF Scheme Launches

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WHY IN NEWS

The **Securities and Exchange Board of India (SEBI)** on **May 11, 2026** floated a **consultation paper** proposing **GARUDA** – “**Green-Channel: AIF Rollout Upon Document Acknowledgement**” – a framework that will compress the launch timeline for **Alternative Investment Fund (AIF)** schemes from **30 days to 10 working days**. Public comments are open until **June 1, 2026**.

THE PAIN POINT

Currently, an AIF that wishes to launch a new scheme must:

- ❶ File its **Private Placement Memorandum (PPM)** with SEBI
- ❷ Wait for SEBI’s **observations** (up to 21 working days)
- ❸ Incorporate observations
- ❹ Re-file and only then commence fund-raise

In a fast-moving private-markets environment – where deals carry **time-bound LP commitments** – a 30-day clock can result in **losing the deal pipeline** to faster jurisdictions (Singapore, Dubai, GIFT-IFSC).

WHAT GARUDA PROPOSES

STEP	CURRENT REGIME	GARUDA REGIME
1	PPM filed with SEBI	PPM filed via a SEBI-registered merchant banker
2	SEBI examines and gives observations (~21 days)	SEBI acknowledges receipt within 10 working days
3	AIF redrafts and re-files	Scheme can be launched upon acknowledgement
4	SEBI clearance (often beyond 30 days)	Compliance audit post-launch , not pre-launch
Total time	~30 days	10 working days

Key novelty: the merchant-banker as gatekeeper

- The **Category-I merchant banker** (registered under SEBI Merchant Bankers Regulations, 1992) becomes the **first-line compliance check** on the PPM
- SEBI's role moves from **gatekeeper** to **post-facto auditor**
- This is a regulatory paradigm shift – analogous to the **green-channel in customs**

AIF ARCHITECTURE IN INDIA

CATEGORY	WHAT IT COVERS	EXAMPLES
Category I	Venture capital, SME funds, social impact funds, infrastructure funds	NIIF VC vehicles, SIDBI-backed VCs
Category II	Private equity, debt funds (other than those in I/III)	ChrysCap, Kedaara, Multiples
Category III	Hedge funds, complex / leveraged strategies	Long-short equity funds, F&O AIFs

- **Regulator:** SEBI under the **SEBI (AIF) Regulations, 2012**
- **Industry size:** AIF AUM has crossed **Rs 13 lakh crore (~USD 156 bn)** as of 2025
- **Investor base:** HNIs, family offices, sovereign LPs, insurance, foreign LPs
- **Minimum corpus:** Rs 20 crore per scheme (Rs 10 crore for angel funds)
- **Minimum investor commitment:** Rs 1 crore (Rs 25 lakh for angel funds)

WHY THIS MATTERS – THE POLICY LOGIC

Capital-formation channel

- India needs to deepen domestic **patient capital pools** – AIFs are the institutional vehicle
- Faster scheme launches mean **better LP retention**

Competitive positioning

- Singapore and Dubai compress launches to days, not weeks
- **GIFT-IFSC funds** already enjoy a faster path – GARUDA brings the mainland AIF closer to parity

Risk trade-off

- The price of speed is **post-launch compliance risk**
- Hence the merchant-banker is given **fiduciary obligation** akin to that in IPO transactions

CROSS-REGULATORY ARCHITECTURE

BODY	WHAT IT DOES
SEBI	Securities, mutual funds, AIFs, REITs/InvITs
RBI	Banks, NBFCs, FX, monetary policy
IRDAI	Insurance
PFRDA	Pensions (NPS, APY)
IFSCA	Unified regulator for GIFT-IFSC (since 2020)

A SEBI-IFSCA harmonisation on AIF launch timelines is the broader objective behind GARUDA.

UPSC RELEVANCE

GS Paper 3 – Indian Economy

- Mobilisation of resources
- Indian capital market and SEBI's role
- Government policies and interventions for development in various sectors

GS Paper 2 – Governance

- Statutory regulatory bodies; reforms in regulatory architecture

Mains Angles

- 1 Discuss the role of Alternative Investment Funds in deepening India's capital market.
- 2 SEBI is moving from a gatekeeping to an auditing regulator. Critically examine with reference to recent reforms.
- 3 Should regulatory speed take precedence over pre-clearance scrutiny in fast-moving financial markets? Justify your view.

Green-Channel: AIF Rollout Upon Document Acknowledgement – SEBI consultation paper, May 11, 2026; comments till June 1, 2026.

*Alternative Investment Fund – privately pooled vehicle regulated under **SEBI (AIF) Regulations, 2012.***

I (VC, SME, social, infra); II (PE, debt); III (hedge funds, leveraged).

Over Rs 13 lakh crore as of 2025.

*Rs 20 crore per scheme; **minimum investor commitment:** Rs 1 crore.*

Private Placement Memorandum – offer document for AIF schemes.

Category-I merchant banker registered under SEBI (Merchant Bankers) Regulations, 1992.

Established 1988, statutory under SEBI Act, 1992. Chairman appointed by the Centre.

Gujarat International Finance Tec-City – India's only IFSC; regulated by IFSCA (since 2020), an unified financial regulator.

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