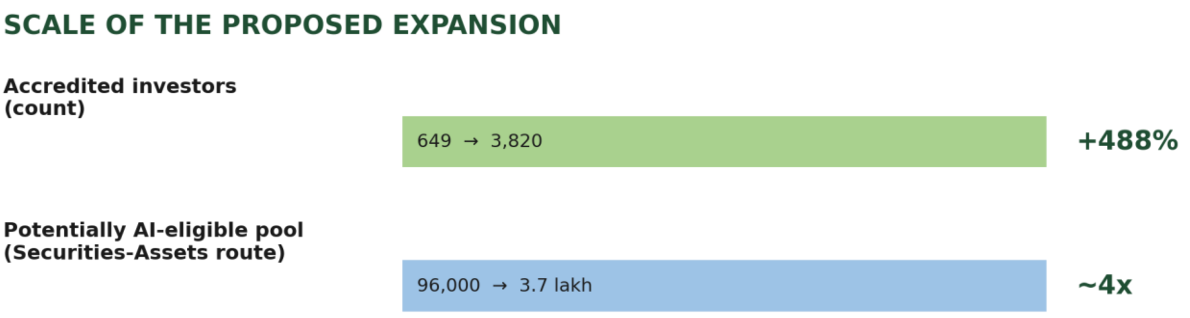
ACCREDITED INVESTOR FRAMEWORK: EXPANDING ELIGIBILITY AND STREAMLINING MANAGER-LED ONBOARDING

The Securities and Exchange Board of India ("**SEBI**"), through its Consultation Paper dated August 13, 2026, has proposed a comprehensive review of the Accredited Investor ("**AI**") framework introduced in 2021, covering the accreditation process, verification mechanisms, eligibility criteria and associated safeguards. Key proposals include an optional manager-led accreditation route alongside the existing Accreditation Agency mechanism, a new eligibility test based on securities market assets independent of income or net worth, an expansion of deemed AI status to all persons resident outside India, and proposed look-through mechanisms for LLPs and wholly-owned subsidiaries.

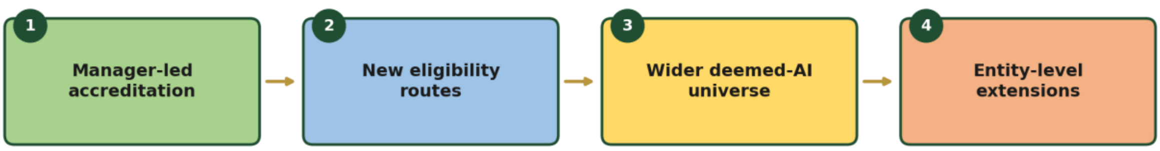
A. BACKGROUND:

The AI framework, introduced in 2021, was designed to objectively identify financially capable and sophisticated investors able to bear the risks of complex products, and has since become relevant across several SEBI-regulated products beyond alternative investment funds ("**AIFs**"). Despite its growing importance, adoption remains limited, with 3,820 accredited investors as of July 31, 2026, holding approximately INR 1.91 lakh crore of AIF units as of December 31, 2025.

SEBI records nine distinct clusters of stakeholder concern behind the present review: duplication of touchpoints between Accreditation Agencies and Managers; limited accreditation validity; a limited number of Accreditation Agencies and process inefficiencies; high cost; a financial-assets-only eligibility gap; reliance on digital infrastructure; AUM-based eligibility for foreign pooled vehicles; a narrow deemed-AI universe; and the absence of a route for CA-equivalent certification of foreign investors' net worth. In developing its proposals, SEBI has also considered accreditation and professional-investor regimes across major jurisdictions, including the U.S., EU, UK, Australia, Singapore and Hong Kong.



Taken together, and grouped for ease of reference, the proposals fall into four broad clusters:



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B. KEY PROPOSALS

I. SIMPLIFYING THE ACCREDITATION PROCESS

a. MANAGER-LED ACCREDITATION: A NEW, OPTIONAL ROUTE

- At present, an investor must first approach an independent Accreditation Agency, a subsidiary of a recognised stock exchange or depository for a certificate, and only then approach the Manager to invest, duplicating KYC and financial documentation the Manager collects in any event.
- SEBI proposes to let a Manager (the investment manager or AMC of an AIF, SIF or PMS, recognised at group-entity level) determine and record an investor's AI status as an integral part of onboarding, or at any point during an ongoing scheme's tenure.
- The proposed framework would require accreditation to be supported by specified financial documents, such as the latest ITR, a CA-certified net-worth certificate, or an eCAS/broker statement or CA certificate evidencing securities assets. Self-certification is expressly not permitted, and the existing Accreditation Agency route continues in parallel with its own validity proposed to be aligned to the same three-year period.

B&P VIEW: Manager-led accreditation should materially reduce friction for both investors and Managers by eliminating an additional accreditation touchpoint. Integrating accreditation into onboarding could reduce duplication of KYC and financial documentation, lower administrative costs and shorten turnaround times.

Pros:

- *A single onboarding touchpoint removes duplicated KYC and financial documentation, cutting cost and turnaround time for both investors and Managers.*
- *Mid-scheme re-recognition allows a Manager to reflect an investor's current financial position rather than freezing status at the date of original onboarding.*

Considerations:

- *A three-year validity assumes financial capacity remains broadly stable; SEBI's own rationale for periodic verification cuts against a validity period this long without an interim check.*

b. SAFEGUARDS FOR MANAGER-LED ACCREDITATION

Given the Manager's role in determining AI status, the framework proposes safeguards including accountability for negligent or incorrect accreditation, mandatory maintenance of accreditation records for SEBI inspection, annual independent-auditor certification, and a board-approved accreditation policy. The policy would be expected to address, among other matters, conflict-of-interest management, grievance redressal, and data-privacy and cybersecurity controls.

B&P VIEW: The proposed safeguards are intended to mitigate concerns by creating accountability, auditability and governance requirements around the Manager's accreditation function. At the same time, retaining the independent Accreditation Agency route preserves investor choice and provides a portable, manager-agnostic alternative for investors who deal with multiple Managers.

Pros:

- *A written, board-approved accreditation policy forces Managers to separate accreditation determinations from sales and distribution functions at a structural level, not merely as guidance.*
- *Mandatory record retention and inspection rights give SEBI a direct audit trail without relying solely on Manager self-reporting.*
- *An annual independent-auditor certification introduces a recurring, external check on a process that would otherwise be entirely self-administered.*

Considerations:

- *The consultation paper does not specify the minimum record-retention period, the identity/independence standard for the annual auditor, or the consequences of a qualified or adverse certification.*

II. WIDENING ELIGIBILITY CRITERIA

- Under the existing framework, eligibility is primarily determined by an investor's annual income and/or net worth. The investor must satisfy an annual income threshold of at least Rs. 2 crore and/or a net-worth threshold of Rs. 7.5 crore, or Rs. 5 crore where the prescribed income criterion is also met, subject to the applicable minimum financial-asset requirement.
- The proposal introduces a fourth, independent route based solely on the value of an investor's securities market assets. The threshold is proposed at Rs. 5 crore for individuals and Rs. 20 crore for body corporates and trusts. This provides an alternative for investors who may have substantial market exposure but do not satisfy the existing income or net-worth thresholds. The holdings would be verified through an eCAS summary, broker statement or CA certificate issued not more than six months prior to accreditation.

B&P VIEW: The proposed route could increase the eligible investor universe to approximately 3.7 lakh investors, almost four times the current AIF investor base. This directly supports SEBI's broader objective of widening access to AIFs and deepening the pool of domestic risk capital available to alternative investment vehicles.

Pros:

- *Eligibility becomes verifiable through tamper-resistant, machine-generated statements (eCAS/broker statements) rather than manually prepared CA certificates, reducing both friction and scope for error.*
- *A roughly four-fold expansion of the eligible pool directly serves SEBI's stated objective of deepening the pool of risk capital available to AIFs and other AI-gated products.*

Considerations:

- *The route does not net off borrowings, including loans secured against the very securities being counted, and could over-include leveraged investors whose true loss-absorption capacity is materially lower than their gross holdings suggest.*

* *eCAS and broker statements capture domestic depository holdings; verification standards for overseas securities investments and NPS holdings (which depend on CRA consent) should be specified with the same rigour.*

III. DEEMED ACCREDITATION FOR ALL PERSONS RESIDENT OUTSIDE INDIA

* Under the existing framework, certain institutional and sovereign entities are deemed to be Accredited Investors without obtaining a separate accreditation certificate. These include Central and State Governments, developmental agencies or funds established by them, Qualified Institutional Buyers ("**QIBs**"), Category I FPIs, sovereign wealth funds and multilateral agencies.
* The proposal would extend deemed AI status to every "Person Resident Outside India" ("**PROI**") as defined under Section 2(w) of Foreign Exchange Management Act, 1999. This would cover all categories of FPIs as well as other non-resident investors, without distinguishing between institutional investors and individual non-residents based on their financial capacity or regulatory status.

B&P VIEW: The proposed PROI-based extension appears to pursue a different policy objective. Rather than relying on institutional sophistication or regulatory oversight as the basis for deemed accreditation, the proposal is principally intended to facilitate and reduce friction for foreign capital inflows. This represents a significant shift from a category-based approach focused on investor sophistication to a residence-based approach focused on ease of foreign investment.

Pros:

* *Removes a genuine friction point for institutional foreign capital, family offices, foreign funds and other sophisticated non-resident pools currently outside the Category I FPI or QIB definitions that SEBI wishes to attract into AIFs.*
* *Eliminates the practical difficulty of certifying a foreign investor's net worth through an Indian CA, since deemed status removes the certification requirement entirely for this category.*

Considerations:

* *A resident individual would need to satisfy the applicable AI eligibility threshold, including the proposed Rs. 5 crore securities-assets route, whereas a non-resident individual could obtain deemed AI status solely by virtue of being a PROI. SEBI may therefore need to explain why residence should justify such different treatment where the underlying objective of accreditation is investor sophistication and protection.*

IV. LOOK-THROUGH FOR LLPs AND WHOLLY-OWNED SUBSIDIARIES

* Currently, a partnership firm can qualify as an Accredited Investor only where each of its partners independently satisfies the prescribed eligibility criteria. The existing framework does not provide a comparable look-through mechanism for LLPs or wholly-owned subsidiaries, which must independently demonstrate the applicable net-worth requirements.

- Under the proposed framework, an LLP would be permitted to qualify as an Accredited Investor where each of its partners independently satisfies the applicable AI eligibility criteria. A wholly-owned subsidiary would be treated as an Accredited Investor where its parent company satisfies the prescribed net-worth requirement.

B&P VIEW: Extending the existing partnership-firm look-through approach to LLPs would create greater consistency between two structurally similar vehicles that are commonly used for investment and fund-management structures. Where the underlying partners have each independently satisfied the AI criteria, requiring the LLP itself to undergo a separate net-worth assessment may add limited substantive value.

Pros:

- *Both proposals reduce duplicative eligibility testing within a single economic group, consistent with the group-entity recognition already proposed for Manager-led accreditation.*

Considerations:

- *An LLP's partner composition can change after accreditation is granted; a re-determination trigger and a clear transitional rule for partner exits/entries would need to be built into any look-through mechanism.*

CONCLUSION

Overall, the consultation paper proposes a thoughtful and broad-based relaxation of both the accreditation process and eligibility criteria. Importantly, SEBI openly identifies the key concerns with its more significant proposals rather than treating them as settled positions. The manager-led accreditation route and the securities-market-assets test directly address industry concerns around cost, process inefficiencies and the limited size of the AI pool and could help increase the availability of risk capital for AIFs, SIFs and PMS. However, three issues require closer consideration: whether the safeguards for manager-led accreditation are strong enough to address the inherent conflict of interest; whether the securities-market-assets test should account for leverage or liabilities; and whether extending deemed AI status to all non-residents is consistent with SEBI's stated rationale of relying on institutional character and investor sophistication. If these concerns are appropriately addressed, the proposals could help move the framework toward accreditation becoming the primary measure of investor sophistication.

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