

Angel Funds in GIFT City

Setting Up * Compliances * Taxation



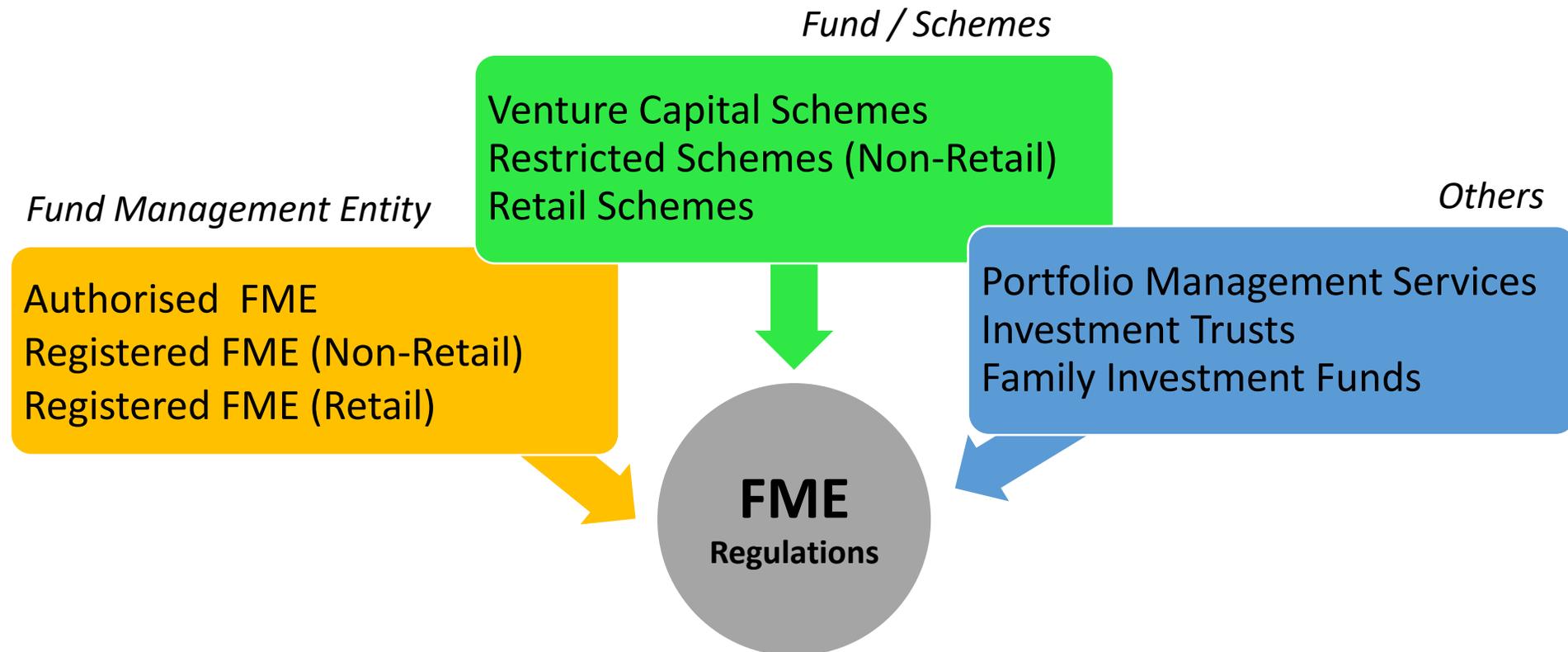
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Snapshot of FME regulations (1/2)



IFSCA (Fund Management) Regulations, 2022 were notified in April 2022 to provide regulatory framework for Asset Managers and Funds



Angel Funds in IFSC (2/2)



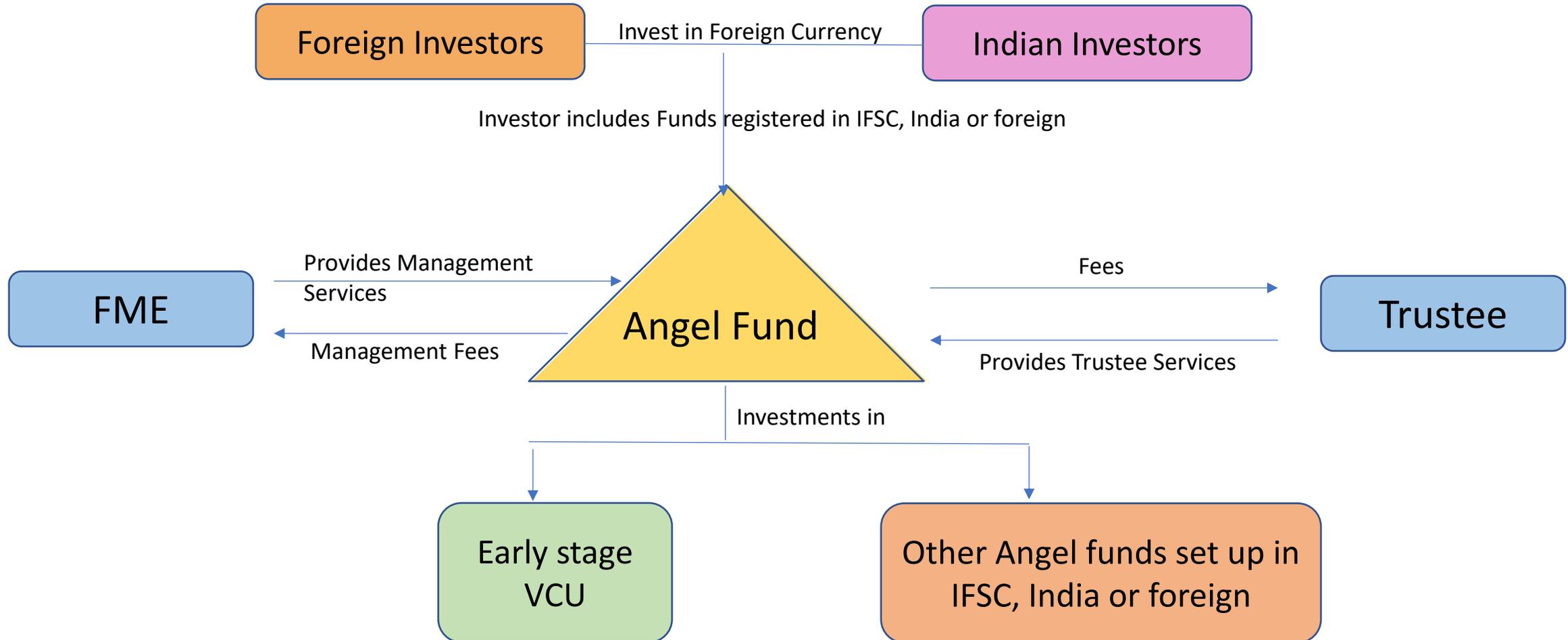
Angel Fund or Angel Scheme

a sub-category of Venture Capital Scheme as specified under Part A of Chapter III of FME Regulations that raises funds from angel investors and invests in accordance with Angel Funds FME Circular.

Angel Investor

an investor including a Venture Capital Scheme or Restricted Scheme set up in an IFSC and similar regulated scheme or fund set up in India or foreign jurisdiction, and invests in an angel fund

Legal Structure of Angel Fund in IFSC



Documentation for Angel Fund



1. Private Placement Memorandum
2. Trust Deed, if Fund is formed as trust.
3. Contribution Agreement – between Contributors & Fund
4. Investment Management Agreement – between Investment Manager & Fund
5. Trustee Agreement – between Trustee & Fund

Authorised FME for Angel Fund



Type of FME	Authorised FME is required for an Angel Fund
Form of FME	Company, LLP or branch (Reg. 5)
Min. Net worth of FME	\$ 75,000 (Sch. 2)
Contribution by FME or its Associate	<ul style="list-style-type: none">• Lower of 2.50% of the Corpus or US \$20K• Within 45 days, to be maintained on ongoing basis.• May be waived by Investors as per regulations
Min. Employees in FME	1 (PO)
Launch of Scheme	Immediately upon filing of PPM with IFSCA (Reg. 19)
Min. Experience	Relevant

Key Features of Angel Funds (1/3)



Permissible investments (Reg. 6)

1. Early-stage venture capital undertakings
 - Age of company \leq 10 yrs
 - Annual turnover \leq \$20 mn
 - Promoted/ sponsored/ related entity \leq \$50 mn
2. Other angel funds in IFSC, India or foreign
3. Shall not invest in associates of FME or company **connected** to investing investors.

Connected means Where angel investor is:

1. **'Individual'**: any early stage VCU founded by angel investor or his relative Or in which angel investor or relative is director/ partner/ trustee Or has control or \geq 15% holding/ voting right
2. **'Corporate'**: any early stage VCU under same management group as angel investor, Or early stage VCU in which angel investor has control or \geq 15% holding/ voting right

Key Features of Angel Funds (2/3)



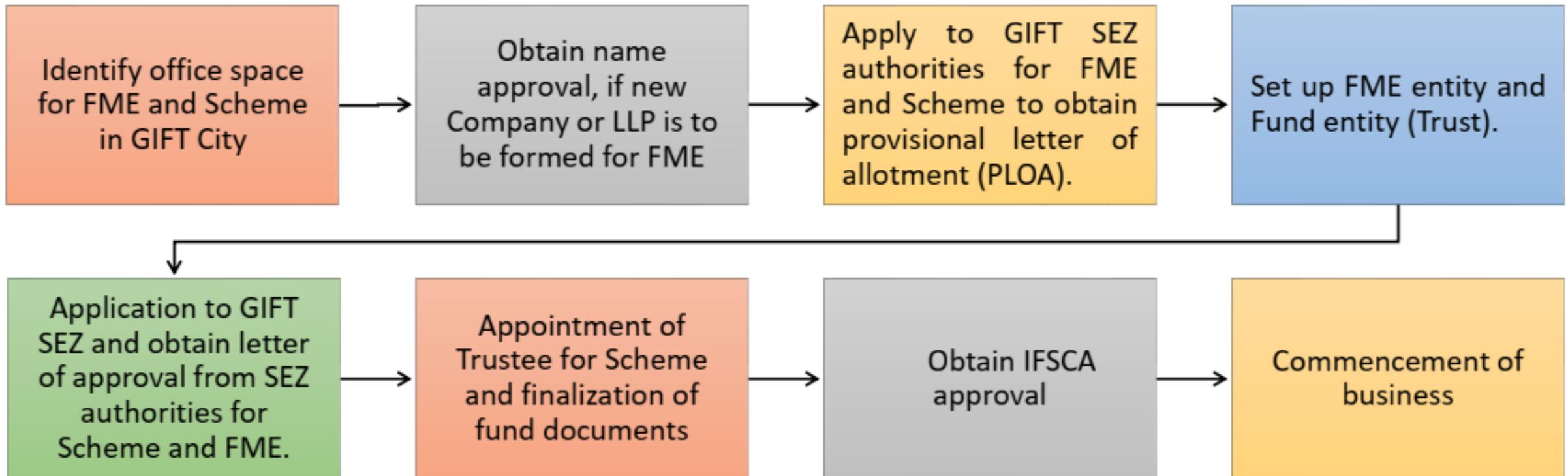
No. of Investors Permitted	Maximum 200 investors per portfolio
Min. investor commitment	US \$40K for an angel investor and None for Accredited investor
Max. investment by the Fund	US \$1.5 mn per portfolio
Corpus	Min. – US\$1 mn Max. - US\$ 200 mn
Type of Fund	Close Ended
Tenure	Min. 3 yrs with extension upto 2 yrs

Key Features of Angel Funds (3/3)



Subsequent investment rounds (Reg. 22)	May invest in the same company in excess of US\$1.5mn, if <ol style="list-style-type: none">1. Company satisfies definition of early stage VCU, except turnover2. Only previous round angel investors can participate3. post-issue of beneficial interest shall be same as pre-issue.4. Overall exposure of the Fund in a Company shall not exceed 50% of total investments or US \$30 mn, whichever is lower.
Leverage	Not applicable on Angel Funds
Custodian	Compulsory, only If AUM > \$70 m
Investor Consent	Prior consent is required from each participating investor for each portfolio

Fund registration Process in GIFT City, IFSC



Setting Up Angel Fund in GIFT City, IFSC



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