

SEBI CONSULTATION PAPER

GARUDA Mechanism for AIFs: SEBI's Proposed Green-Channel Framework for Faster Scheme Launches

SEBI (Alternative Investment Funds) Regulations, 2012

May 15, 2026 | Alternative Investment Funds

What is GARUDA Mechanism?

SEBI has proposed a “Green-Channel: AIF Rollout Upon Document Acknowledgement” (GARUDA) mechanism to streamline the scheme launch process for Alternative Investment Funds (AIFs). The proposal aims to reduce timelines, simplify procedural requirements, and facilitate faster capital deployment in the growing AIF ecosystem.

Key proposed changes include:

- Reduction in launch timeline for Regular Schemes from 30 days to 10 working days after filing of Placement Memorandum (PPM) with SEBI through a Merchant Banker
- Immediate launch flexibility for Accredited Investor (AI) only schemes upon filing of PPM with SEBI
- Removal of mandatory Merchant Banker filing requirement for AI-only schemes and Angel Funds
- Replacement of Merchant Banker Due Diligence Certificate with an undertaking from the CEO and Compliance Officer of the AIF Manager

Why Does It Matter? — Ease of Doing Business for AIF Industry

The Indian AIF industry has witnessed substantial growth in recent years, with increasing fund registrations, investor participation, and capital commitments. The GARUDA proposal seeks to align regulatory processing timelines with the evolving sophistication of investors and intermediaries.

GARUDA FRAMEWORK

Faster launch mechanism for AIF schemes through a document acknowledgement model

Reduced Timeline

10 working days for Regular Schemes instead of the existing 30-day period.

Industry Growth Driving the Reform

As highlighted in the SEBI Consultation Paper dated May 11, 2026:

Metric	Figure
Registered AIFs — March 2021	732
Registered AIFs — March 2026	1,849
Total Commitments Raised by AIFs	₹15.74 lakh crore
Net Investments Made by AIFs	₹6.45 lakh crore
Growth in Accredited Investors (11 months)	+327%

Key Regulatory Proposals under GARUDA

For Regular Schemes:

- Launch permitted after 10 working days from PPM filing with SEBI, unless otherwise advised
- First scheme launch allowed from date of SEBI registration or after 10 working days from filing, whichever is later

For Accredited Investor (AI)-Only Schemes:

- PPM can be filed directly by the AIF Manager — no Merchant Banker required
- Merchant Banker Due Diligence Certificate proposed to be replaced by management undertaking from CEO and Compliance Officer
- Immediate launch upon filing of PPM with SEBI

For Angel Funds:

- Direct filing with SEBI proposed
- Immediate circulation of PPM for fund solicitation proposed
- Reduced dependence on Merchant Banker-led filing process

Global & Industry Alignment

SEBI noted that similar post-facto review mechanisms are followed in other jurisdictions, including IFSC frameworks and certain international regulators. The proposal received support from industry participants and the IVCA during stakeholder consultations, affirming broad alignment with global best practices for sophisticated investor segments.

BOTTOM LINE

The proposed GARUDA mechanism reflects SEBI's continued focus on Ease of Doing Business and operational efficiency in the AIF ecosystem. By shortening timelines and introducing differentiated compliance requirements for sophisticated investor categories, the regulator aims to facilitate quicker capital formation while continuing post-facto, risk-based supervision.

Public comments and suggestions on the consultation paper may be submitted to SEBI till June 01, 2026 through the online public comment mechanism prescribed by the regulator.