

Accredited Investors

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In News: Security and Exchange Board of India (SEBI) sought comments on the proposal to introduce the concept of 'Accredited Investors' in the Indian securities market.

About Accredited Investors

- Accredited investors are one who meets certain criteria regarding income, net worth, and qualifications.
- They are wealthy individuals who are allowed access to investments that many people are not allowed.
- The burden of proving an individual is an accredited investor falls on the investment vehicle rather than the investor.
- Many countries have an accredited investor class that has various income, net worth, investing, and legal requirements.
- **Pros** of being an accredited investor include access to unique and restricted investments, high returns, and increased diversification.
- **Cons** of being an accredited investor include high risk, high minimum investment amounts, high fees, and illiquidity of the investments.

How to Become an Accredited Investor in India?

- To become an accredited investor in India, the investor or business entity, who owns a demat account will be required to apply for accreditation to the depositories or the stock exchange.
- Once the eligibility of the investor has been determined, the investor will be granted accreditation for a period of three years by the stock exchange.

Who Can Be an Accredited Investor?

- Business entity or institution who wishes to invest in listed startups is required to have a net worth of Rs.25 crore to be considered an accredited investor.
- Individual to be considered an accredited investor, a liquid net worth of at least.
- SEBI also ensures that accredited investors are financially stable enough to absorb any losses that can occur due to unregulated securities.

Significance of Accredited Investor

Offer benefits to investors and financial product/service providers

- Flexibility in minimum investment amount.
- Flexibility and relaxation in regulatory requirements.
- Access to products/ services offered exclusively to accredited investors.