The Indian Journal for Research in Law and Management

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Editor-in-Chief – Dr. Muktai Deb Chavan; Publisher – Alden Vas; ISSN: 2583-9896

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ONE SIZE, MANY RISKS: EVALUATING SEBI'S PROPOSED UNIFORM INVESTOR-CONSENT THRESHOLD UNDER THE AIF FRAMEWORK

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ABSTRACT

This paper examines the Securities and Exchange Board of India's (SEBI) consultation paper dated 30 June 2026, which proposes a uniform requirement of 75% investor consent by value and three alternative voting methodologies: deemed consent, present-and-voting and express voting. The research problem is whether a common numerical threshold can produce consistent investor protection when the counting methodology determines what the threshold measures. The paper uses doctrinal analysis to compare the applicable regulatory framework and the consultation paper, supplemented by comparative analysis of other SEBI-regulated vehicles, along with Company Law. SEBI's own illustration demonstrates that identical investor responses may produce approval rates of 90%, 75% or 30% under the three methodologies, so that the outcome is decided by the treatment of investor silence, rather than the threshold. The paper therefore argues that uniformity of threshold does not necessarily produce uniformity in the level of investor participation required for approval. It concludes by proposing a calibrated consent framework in which voting methodology, threshold and procedural safeguards correspond to the materiality and conflict implications of the decision.

Keywords: Alternative Investment Funds; investor consent; unitholder approval threshold; conflicted transactions; SEBI (AIF) Regulations, 2012; deemed consent; investor protection.

INTRODUCTION

The regulation of Alternative Investment Funds (AIFs) under the SEBI (Alternative Investment Funds) Regulations, 2012 (AIF Regulations) places significant reliance on disclosure, contractual arrangements and investor participation, particularly where decisions may materially affect investors or involve conflicts of interest. The framework relies on obligations

imposed on the manager, disclosure and, for specified consequential decisions, investor consent.[1] Investor consent therefore operates as an important governance check on managerial discretion.

The existing framework applies different consent thresholds, principally two-thirds and 75% by value, and SEBI's consultation paper observes that the differing thresholds lack a principle-based rationale.[2] The consultation paper of 30 June 2026 responds through two strands of reform: a uniform 75% threshold by value wherever investor consent is required, and a choice among three prescribed voting methodologies, disclosed in the private placement memorandum (PPM) and applied consistently.[3] This paper proposes the following questions: (i) How the existing framework specifies investor consent and what it leaves unspecified; (ii) How the proposed 75% threshold operates under each methodology and what level of affirmative investor support each methodology requires; and (iii) Whether a uniform threshold combined with fund-level methodology choice provides a coherent framework for investor protection.

The paper argues that a uniform numerical threshold does not by itself produce uniformity in investor protection because the counting methodology determines the quantum of affirmative support required for approval. The research is primarily doctrinal, analysing the Regulations, the Master Circular and the consultation paper, and comparative, drawing on other SEBI-regulated vehicles, company law and the professional commentary the proposal has already generated.

EXISTING INVESTOR-CONSENT FRAMEWORK UNDER AIF REGULATIONS

Regulatory Basis for Investor Consent: The consent requirements are provided under the AIF Regulations and SEBI's Master Circular as annexed in the paper.[4] These requirements attach to specified decisions that may materially affect the interests of unitholders or involve potential conflicts of interest. A close-ended fund's tenure may be extended only with unitholder

[1]SEBI, *Consultation Paper on Rationalizing the Requirement of Obtaining Investor Consent and Ambit of Conflicted Transactions Requiring Investor Consent under SEBI (Alternative Investment Funds) Regulations, 2012* (30 June 2026) (Consultation Paper) para 2.2 https://www.sebi.gov.in/reports-and-statistics/reports/jun-2026/consultation-paper-on-rationalizing-the-requirement-of-obtaining-investor-consent-and-ambit-of-conflicted-transactions-requiring-investor-consent-under-sebi-alternative-investment-funds-regulations-_102464.html accessed 20 September 2026; Ravi Prakash, Vaibhav Malhotra and Sugyan Kumar Singh, 'The Voting Methodologies SEBI Has Proposed for AIFs' (*Corporate Professionals*, 21 July 2026) https://www.corporateprofessionals.com/articles/the-voting-methodologies-sebi-has-proposed-for-aifs/ accessed 20 September 2026.

[2]SEBI, Consultation Paper (n 1) paras 2.1, 3.2.

[3]SEBI, Consultation Paper (n 1) paras 3.2–3.3, 3.9; Proposals 1–2 and 6.

[4]SEBI, Consultation Paper (n 1) para 3.1 and Annexure A.

approval, and an AIF may invest in, or buy from or sell to, associates of its manager or sponsor only with the prior approval of investors.[5] Investor consent therefore forms part of a regulatory model in which SEBI prescribes the circumstances and procedural conditions for investor approval while leaving specified decisions to the collective determination of unitholders.

Existing Approval Thresholds and Their Functions: The principal thresholds presently encountered are two-thirds and 75% by value. Approval of two-thirds of unitholders by value governs, among other matters, a material alteration to the fund's strategy and the extension of a close-ended fund's tenure. Approval of 75% by value governs investments in and transactions with associates, the appointment of undisclosed investment committee members and in-specie distributions during liquidation.[6] Both thresholds therefore operate as supermajority requirements, requiring substantially greater investor support than an ordinary majority. The Regulations do not expressly articulate a general principle explaining why particular consent requirements attract a two-thirds rather than a 75% threshold.[7]

The Gap Between Consent Threshold and Consent Methodology: The Regulations fix the percentage but are silent on how it is measured: who is counted, how non-response is treated, how long investors have to respond and how responses are recorded.[8] In the absence of a prescribed methodology, fund documentation and market practice have supplied the operative voting procedures. SEBI notes that, in the absence of agreement, the response period may effectively depend on the manager's determination.[9] The result, as SEBI recognises, is that identical thresholds yield different outcomes depending on the methodology followed.[10] Because the existing Regulations do not prescribe a uniform treatment of non-response, the operation of deemed consent, which SEBI understands most AIFs to have adopted, has depended significantly on the voting arrangements disclosed in fund documentation.[11] The issue of recalibrating investor-consent requirements also predates the 2026 consultation: an

[5]Securities and Exchange Board of India (Alternative Investment Funds) Regulations 2012 (AIF Regulations), regs 13(5), 15(1)(e) and (ea); SEBI, *Master Circular for Alternative Investment Funds (AIFs)* (June 2026) para 17.6.2 https://www.sebi.gov.in/legal/master-circulars/jun-2026/master-circular-for-alternative-investment-funds-aifs-_101817.html accessed 20 September 2026.
[6]Prakash, Malhotra and Singh (n 1).
[7]SEBI, Consultation Paper (n 1) para 3.2.
[8]SEBI, Consultation Paper (n 1) paras 2.1, 3.4.
[9]SEBI, Consultation Paper (n 1) para 3.10.4.
[10]SEBI, Consultation Paper (n 1) para 3.4.
[11]SEBI, Consultation Paper (n 1) para 3.6.

industry paper published in 2019 had proposed that specified material changes be approved by 75% of the unitholders actually voting.[12]

SEBI'S PROPOSED CONSENT FRAMEWORK

Deemed Consent: Mechanics and Regulatory Rationale: Under Method A, the AIF/manager circulates a proposal and fixes a response window; an investor who does not respond within it is treated as having approved, unless the investor votes against; the timeline must be disclosed and uniform for all investors.[13] Approval is measured against the fund's total value. On SEBI's example of 100 equal investors, of whom 30 vote in favour, 10 against and 60 abstain, the abstentions are added to the affirmative votes, yielding 90%.[14] SEBI's rationale rests on the sophistication of AIF investors and the need to balance investor participation with operational efficiency, particularly where obtaining affirmative responses from a dispersed investor base may delay fund decisions.[15] SEBI records the cost: material or conflicted decisions may be implemented without demonstrable, informed support, and a proposal could pass despite 20% dissent by value without any investor having expressly voted in favour.[16]

Present-and-Voting: Mechanics and Regulatory Rationale: Under Method B only votes actually cast are counted, in both numerator and denominator; investors who do not respond within the voting timeline are not counted as participating in the vote and have no bearing on the outcome. On the same facts, 30 votes in favour against 40 votes cast yield 75%.[17] The manager must either hold a meeting or seek votes through agreed modes within a disclosed timeline, and only investors who respond count as participating.[18] The method is consistent with practice for mutual funds, listed companies, REITs and InvITs,[19] and echoes the special resolution under company law, which requires votes in favour to be at least three times those cast against.[20] Its practical effect is that only participating investors determine whether the threshold is met. SEBI regards the method as encouraging participation; the corresponding

[12]Argus Partners, 'SEBI's AIF Regulations 2012 – A Few Tweaks Required' (2019) https://www.argus-p.com/papers-publications/thought-paper/sebis-aif-regulations-2012-a-few-tweaks-required/ accessed 20 September 2026.
[13]SEBI, Consultation Paper (n 1) para 3.10.1; Proposal 3b.
SEBI, Consultation Paper (n 1) para 3.10.2.
[15]SEBI, Consultation Paper (n 1) para 3.10.3.
[16]SEBI, Consultation Paper (n 1) para 3.10.4.
[17]SEBI, Consultation Paper (n 1) paras 3.11.1, 3.11.3.
[18]SEBI, Consultation Paper (n 1) Proposal 3c.
[19]SEBI, Consultation Paper (n 1) para 3.11.2.
[20]Companies Act 2013, s 114(2)(c).

concern is that low participation could allow a relatively small group of participating investors to determine matters affecting the fund.[21]

Express Voting: Mechanics and Regulatory Rationale: Under Method C, approval requires that the value of votes explicitly cast in favour meet the threshold measured against the fund's total investor value, irrespective of participation. Non-responding investors are treated as neither consenting nor dissenting, but they reduce the likelihood of approval; on SEBI's example, 30 of 100 gives 30%.[22] SEBI's rationale is that approvals then reflect deliberate and affirmative investor intent, offering a higher degree of investor protection.[23] The corresponding concern is that decisions may fail where the investor base is large, dispersed or insufficiently responsive.[24]

The Same Threshold, Three Different Outcomes: Set against a 75% bar, SEBI's single fact pattern produces divergent approval outcomes, as Table 1 shows: the proposal passes under deemed consent, meets the threshold exactly under present-and-voting and fails under express voting. The threshold is constant; the outcome is a product of the counting rule. The treatment of non-response differs across the three methodologies: it counts as approval under deemed consent, is excluded from the denominator under present-and-voting and, under express voting, counts as neither consent nor dissent but remains in the denominator and so works against approval. SEBI's illustration therefore demonstrates that identical investor responses can produce materially different approval percentages solely because the counting methodology changes.[25]

Table 1: ***One Voting Pattern, Three Methodologies (30 in favour, 10 against, 60 silent; 100 equal investors)***

Method	How approval is computed	Result	Meets 75%?
A. Deemed consent	(30 + 60 deemed) ÷ 100	90%	Yes
B. Present-and-voting	30 ÷ (30 + 10)	75%	Yes (on the margin)
C. Express voting	30 ÷ 100	30%	No

[21]SEBI, Consultation Paper (n 1) paras 3.11.4, 3.11.5.
SEBI, Consultation Paper (n 1) paras 3.12.1, 3.12.2.
[23]SEBI, Consultation Paper (n 1) para 3.12.3.
[24]SEBI, Consultation Paper (n 1) para 3.12.4.
[25]Prakash, Malhotra and Singh (n 1); 'The Illusion of Standardisation: Why SEBI's New AIF Voting Rules Miss the Mark' (*IRCCL*) https://www.irccl.in/post/the-illusion-of-standardisation-why-sebi-s-new-aif-voting-rules-miss-the-mark accessed 20 September 2026.

Source: Authors' calculation based on SEBI's worked example in the consultation paper.[26]

The Proposed Uniform 75% Threshold

Proposal 6 contemplates amendments to the AIF Regulations and relevant circulars to prescribe approval of 75% of the unitholders by value wherever applicable.[27] The principal practical effect would be to raise existing two-thirds requirements to 75%, including requirements relating to tenure extension and material alteration of strategy.[28] Under the deemed consent methodology, for example, the change would reduce the dissent required to block a proposal from over one-third to more than one-quarter of value. SEBI advances two reasons: the absence of any principled basis for differing thresholds, and the view that a higher threshold draws more investors into decision-making, favouring minority dissenters who might otherwise be dragged along.[29] AIPAC recommended the change for ease of compliance and monitoring.[30] One feature deserves note: the stated rationale focuses on consistency and ease of compliance and monitoring, rather than articulating a differentiated threshold according to the nature of the underlying decision.

Fund-Level Methodology Choice and Disclosure: SEBI declines to prescribe a single method, reasoning that AIFs serve sophisticated investors and that flexibility suits differing investor bases, provided there is adequate disclosure, a written policy and consistent adoption.[31] Under the proposal, the AIF would be required to adopt one methodology and disclose it in its PPM together with the related policy and procedures, communication modes, notice period, reminders and risks, applying it uniformly to all investors in the scheme so as to end differential treatment.[32] Whatever the method, every investor would have to be given an opportunity to vote, with disclosure of the rationale, the triggering provision, the threshold and the treatment of non-response; the manager would have to answer queries and keep records.[33] Existing schemes would retain their extant methodologies on a grandfathered basis, while the new

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[26]SEBI, Consultation Paper (n 1) paras 3.10.2, 3.11.3, 3.12.2.
[27]SEBI, Consultation Paper (n 1) Proposal 6.
[28]'Procuring Investor Consent by AIFs: SEBI's New Playbook for Voting and Conflict Management' (*India Corporate Law*, 15 July 2026) https://corporate.cyrilamarchandblogs.com/2026/07/procuring-investor-consent-by-aifs-sebis-new-playbook-for-voting-and-conflict-management/ accessed 20 September 2026; Payal Agarwal and Ishani Kapoor, 'Standardising Investors' Consent and Broadening Scope of Conflicted Transactions: SEBI Rolls Out Consultation for AIFs' (*Vinod Kothari Consultants*, 6 July 2026) https://vinodkothari.com/2026/07/standardising-investors-consent-and-broadening-scope-of-conflicted-transactions-sebi-rolls-out-consultation-for-aifs/ accessed 20 September 2026.
[29]SEBI, Consultation Paper (n 1) paras 3.2, 3.3.
[30]SEBI, Consultation Paper (n 1) para 3.16.
[31]SEBI, Consultation Paper (n 1) para 3.14.
[32]SEBI, Consultation Paper (n 1) paras 3.7, 3.15; Proposals 2a-2c.
[33]SEBI, Consultation Paper (n 1) Proposals 3a and 4a-4c.

requirements would apply prospectively.[34] The paper requires disclosure of the notice period but fixes no minimum, and leaves open whether uniformity is owed at fund or scheme level and whether methods may vary by resolution.[35]

CRITICAL EVALUATION

Interrogating the Uniform Threshold

The Heterogeneity Objection: The proposal of increasing every two-thirds requirement to a uniform seventy-five percent by value[36] is based on the premise that a single bar can cover a plurality of decisions. Yet, the matters kept together in the uniform threshold are not homogenous in nature. A routine extension of a close-ended fund's tenure under Regulation 13(5), a material alteration of the fund's investment strategy under Regulation 9(2), the approval of a conflicted investment in an associate under Regulation 15(1)(e), and a reduction in the frequency of independent valuation under Regulation 23(2) have significantly different impact on the investors.[37] A tenure extension is largely administrative; while the latter redefines the investment manager's authority and poses conflict of interest. To hold all these decisions to an identical bar is to treat unlike cases alike, which in itself is a kind of "species of arbitrariness".[38]

The proportionality Issue: In its own analysis, SEBI found that the existing expansion of thresholds follows no principled distinction.[39] But its proposed recommendation "Uniformity", shares the same ailment. The issue in the current framework is not that there is variation in thresholds, but that there is variation that ignores materiality, and a mere change from variation to uniformity will fail to bring about the necessary element of proportionality.

A proportionate regime will take into account the weight and contestability of the decision involved and accordingly set the threshold, as done by SEBI under the Listing Regulations, a material related-party transaction needs to be approved by a majority of the minority, excluding

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[34]SEBI, Consultation Paper (n 1) Proposal 5.
[35]SEBI, Consultation Paper (n 1) Proposal 2b; Prakash, Malhotra and Singh (n 1).
[36]Securities and Exchange Board of India, 'Consultation Paper on Rationalizing the Requirement of Obtaining Investor Consent and Ambit of Conflicted Transactions Requiring Investor Consent under SEBI (Alternative Investment Funds) Regulations, 2012' (SEBI, 30 June 2026) Proposal 6 and Annexure D <www.sebi.gov.in> accessed 17 September 2026.
[37]SEBI (Alternative Investment Funds) Regulations 2012, regs 9(2), 13(5), 15(1)(e) and 23(2).
[38]Khushi Tanwar and Keshav Jain, 'SEBI's AIF Governance Overhaul for Private Equity & Venture Capital Funds' (Centre for Banking and Insurance Law, National Law University Odisha, 24 August 2026) <cbilnluo.com> accessed 17 September 2026.
[39]SEBI, Consultation Paper (n 1) para 3.2.

the related party from voting.[40] "*Uniformity is administratively tidy, but tidiness is not itself a governance value."*[41]

The Interaction Problem: The most significant flaw is that the threshold is irrelevant in isolation from its method of determination. For instance, in the worked example provided in the consultation paper, one fact pattern (thirty in favour, ten against, sixty silent) yields ninety percent under deemed consent, seventy-five percent under present-and-voting, and thirty percent under express voting.[42] Therefore, the same investors and the same votes produce three lawful numbers.[43] A seventy-five percent threshold therefore proves nothing about the extent of actual support since its protective value is fixed entirely by the counting formula.

The upward-only harmonisation: The aim of SEBI is to increase in the threshold level of participation in the decision making process, reasoning that it will attract more investors into the decision making and protect dissenting minorities from being dragged along.[44] Two objections must be raised to this point. Firstly, in the light of participatory mechanism, a seventy-five percent bar is substantially more difficult to clear than two-thirds, and for large or dispersed group of investors, it creates a threat of deadlock, because there will not be sufficient responders in order to take actions that will preserve the value of the business.[45] Secondly, and more importantly, the argument that this measure protects dissenting minorities turns against itself due to the deemed consent provision, as it implies that it is achieved not through an increased support of investors, but through their inertia, and therefore protects only those whom it aims to protect.

The Methodology Choice as a Latent Risk

Silence as assent: Deemed consent treats non-response as consent.[46] The cost of governance involved in this assent is captured by the paper's own analysis that a proposal may pass on active dissent of twenty percent despite not a single explicit vote in favour.[47] In other words,

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[40] SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, reg 23(4).
[41] Jonathan Sumption, 'The Limits of Law' (27th Sultan Azlan Shah Lecture, Kuala Lumpur, 20 November 2013); Jonathan Sumption, *Trials of the State: Law and the Decline of Politics* (Profile Books 2019) 45.
[42]SEBI, Consultation Paper (n 1) para 3.13.
[43]Saransh Patwal, 'The Illusion of Standardisation: Why SEBI's New AIF Voting Rules Miss the Mark' (Indian Review of Corporate and Commercial Laws, 13 September 2026) <www.irccl.in> accessed 17 September 2026.
[44]SEBI, Consultation Paper (n 1) para 3.3.
[45] [45]Tanwar and Jain (n 3); SEBI, Consultation Paper (n 1) para 3.12.4.
[46]SEBI, Consultation Paper (n 1) para 3.10.1.
[47]SEBI, Consultation Paper (n 1) para 3.10.4.

Approval is then a fiction that indicates only the absence of any organised opposition, not necessarily the presence of support.

It is an established fact in the economic literature on shareholder voting that dispersed investors are rationally apathetic, because the cost of informed participation exceeds each holder's expected pivotal influence.[48] Moreover, deemed consent does not cure this apathy; it further monetises it for the manager, converting predictable passivity into a standing mandate.

Strategic abstention as a form of leverage: Some investors intentionally abstain from voting to obtain concessions from the manager such as reduced fees or favourable co-investment terms.[49] Deemed consent answers this problem of strategic abstention neutralising abstention, by rendering it useless for obtaining anything from the manager, but it does so asymmetrically, making the silent threat powerless while giving the power to the manager. The bargaining chip is not removed from the list of considerations but simply passed on to the party that the consent rule was meant to control, so that a tool considered a way of policing strategic investors turns into an incentive for the manager to exploit investor inertia.

Fund-level optionality and the limits of disclosure: The safeguard proposed in the paper is the disclosure of the chosen method in the private placement memorandum as well as applied consistently at fund level.[50] However, disclosure does not equal protection. A manager selecting the method has a strong incentive to pick the least deliberative one as deemed consent closes votes fastest and speed is important in competitive deployment.[51] Once embedded, the choice would affect all future votes, including the conflicted ones, meaning that the least deliberative method would apply precisely to those transactions which require most scrutiny.[52] It is irrelevant whether AIF investors are sophisticated or not because sophistication does not imply having enough capacity to control every solicitation made by an AIF manager with regard to a diversified portfolio.[53] It is important to mention comparators here as they do apply: REITs and InvITs use the related-party test together with a very strict safeguard i.e., exclusion of the conflicted party from the voting process.[54]

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[48]Frank H Easterbrook and Daniel R Fischel, 'Voting in Corporate Law' (1983) 26 Journal of Law and Economics 395; Bernard S Black, 'Shareholder Passivity Reexamined' (1990) 89 Michigan Law Review 520; see also Mancur Olson, *The Logic of Collective Action: Public Goods and the Theory of Groups* (Harvard University Press 1965).
[49]SEBI, Consultation Paper (n 1) para 3.5.2.
[50]SEBI, Consultation Paper (n 1) Proposals 2a and 2c.
[51]Tanwar and Jain (n 3).
[52]Patwal (n 7).
[53]Jill E Fisch, Assaf Hamdani and Steven Davidoff Solomon, 'The New Titans of Wall Street: A Theoretical Framework for Passive Investors' (2019) 168 University of Pennsylvania Law Review 17.
[54]Patwal (n 7); SEBI (Infrastructure Investment Trusts) Regulations 2014, reg 19.

COMPARATIVE AND CROSS-REGULATORY PERSPECTIVES

The pull towards present-and-voting: SEBI's other schemes follow one principle for counting approval. Be it Mutual funds, listed companies, REITs and InvITs, all reckon approval by reference to votes actually cast, and the consultation paper acknowleges that present-and-voting is the prevailing standard followed by SEBI.[55] For instance, in the case of Mutual funds, voting takes place only from votes cast for a resolution when unitholders approve a change in a scheme's fundamental attributes. The rationale behind such an approach is the legitimacy of participation, the votes reflect the view of participants and not those inflated by silence nor defeated by apathy.[56]

The related-party pivot: Proposals 7 and 8 widen the narrow fifteen-percent 'associate' test by replacing it with a 'related party' definition based on Section 2(76) of the Companies Act, 2013, thus, widening the gateway so that transaction which earlier escaped scrutiny, including a relative's controlling stake or common director, now trigger consent.[57] The pivot is sensibly designed to target the manager and sponsor, where the real conflict lies, rather than excluding the related parties of the trustee and the fund's board. This is the strongest reform of the paper.[58] Yet widening the gate without raising the bar behind it, is hollow; SEBI takes the related party definition from the REIT and InvIT systems but misses out on their most important safeguard, the exclusion of the conflicted party from the vote.[59]

In United States private-equity practice requires that conflicted transactions be dealt with through a Limited Partner Advisory Committee, and the institutional standards are such that affirmative committee approval is preferred over the process of deemed approval.[60] Under Delaware and offshore law, the limited partnership agreement determines the process by contract, but deemed approvals of conflicts based on disclosure are problematic and are protected by advisory committee approval. Conflicts of mature private funds therefore go to the informed, disinterested subgroup rather than a passive majority.

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[55]Securities and Exchange Board of India, 'Consultation Paper on Rationalizing the Requirement of Obtaining Investor Consent and Ambit of Conflicted Transactions Requiring Investor Consent under SEBI (Alternative Investment Funds) Regulations, 2012' (SEBI, 30 June 2026) para 3.11.2 ('Consultation Paper').

[56]SEBI (Mutual Funds) Regulations 1996; SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, reg 44; SEBI (Real Estate Investment Trusts) Regulations 2014, reg 22; SEBI (Infrastructure Investment Trusts) Regulations 2014, reg 22.

[57]SEBI, Consultation Paper (n 1) Proposals 7–8 and Annexures B and C; Companies Act 2013, s 2(76).

SEBI, Consultation Paper (n 1) paras 4.4, 4.5.

[59]Saransh Patwal, 'The Illusion of Standardisation: Why SEBI's New AIF Voting Rules Miss the Mark' (Indian Review of Corporate and Commercial Laws, 13 September 2026) <www.irccl.in> accessed 17 September 2026; SEBI (Infrastructure Investment Trusts) Regulations 2014, reg 19; Companies Act 2013, s 188(1) second proviso.

[60]Institutional Limited Partners Association, *ILPA Principles 3.0* (ILPA 2019).

A coherent architecture would have the materiality threshold tiered, the conflicted matters to be resolved through present and voting or express voting while confining deemed consent reserved for matters that are routine, investors with conflicts excluded from the count, and impose a uniform minimum notice period and a participation floor so that the voting window is a genuine opportunity to respond.[61] Uniformity will then result from principle rather than just a number.

[61]Khushi Tanwar and Keshav Jain, 'SEBI's AIF Governance Overhaul for Private Equity & Venture Capital Funds' (Centre for Banking and Insurance Law, National Law University Odisha, 24 August 2026) <cbilnluo.com> accessed 17 September 2026.

RECOMMENDATIONS

1. *Tier the threshold to materiality:* SEBI should abandon the blanket uniformity without any distinction and calibrate the bar to the gravity of the decision: and tier the threshold to two-thirds for administrative decision-making, while raising it to seventy-five percent for the rest (i.e., for material decisions and for conflicted transactions). The current spread of thresholds lacks any principled basis, but its replacement by uniformity would be another error in the wrong director. Consistency should attach to the principle of proportionality, not to a single threshold.
2. *Confine deemed consent to routine matters/ administrative decision making:* Deemed consent should be available only for administrative or low-stakes decision making. Otherwise, in view of the possibility to approve proposals even with twenty percent of dissenting votes, all material changes and all conflicted transactions should be approved by means of present-and-voting or express voting.
3. *Exclude the conflicted party from the vote:* In case of conflicted transactions (related-party transactions), SEBI should borrow the safeguard from REITs and InvITs in respect of the majority-of-the-minority rule and exclude the conflicted party from voting. Otherwise, the broadened definition of the concept of related-party transactions is defeated by a bar, the conflicted party can itself help to clear.
4. *Impose a participation floor and uniform notice period:* There is a need of a minimum quorum by value before any deemed-consent proposal can pass, and there must be a uniform minimum notice period. In the absence of a floor requirement, the higher seventy-five percent numerator is achieved via non-participation, rather than support, defeating the very minorities who have been promised.
5. *Constrain fund-level optionality:* The choice of methodology should not be left in the hands of the manager alone in conflicted situations. A manager will rationally make an election in favour of the less deliberative procedure and implement it to every future vote. The regulation must hard-code the use of the stricter procedures for conflicted transactions regardless of a fund's election.
6. *Sunset grandfathered practices:* SEBI should sunset the incumbents' deemed-consent arrangements within a certain transition period instead of grandfathering them forever. SEBI should sunset incumbent deemed-consent practices within a defined transition period. An indefinite two-tier market invites regulatory arbitrage toward the more permissive legacy vehicles and defeats the consultation's own consistency objective.

Table 2: A Calibrated Consent Matrix

Decision Type	Illustrative Provision	Recommended Methodology	Threshold	Additional Safeguard
Routine/ Administrative	Tenure Extension (Reg. 13(5))	Deemed consent permitted	Two-thirds	Uniform minimum notice period
Material change	Strategy alteration (reg 9(2)); valuation frequency (reg 23(2))	Present-and-voting	75%	Participation floor (minimum quorum by value)
Conflicted transaction	Related-party investment (reg 15(1)(e), (ea))	Express voting for approval	75%	Conflicted party excluded from the count

The matrix replaces a single uniform bar with a proportionate scheme in which the method, the threshold and the safeguard together rise with the stakes of the decision.

CONCLUSION

The proposal to standardize the consent threshold by SEBI is undoubtedly driven by an understandable and justified goal, which is to replace an unprincipled set of criteria with a predictable rule. The issue is that the solution proposed by the regulator misses the point of the issue since it confuses uniformity with the principle in question. A flat seventy-five percent hurdle applied to the two very different situations (tenure extension and the related party transactions) depending on the methodology chosen, so the headline threshold certifies nothing about the breadth of genuine support. In addition, such a rule is meaningless before determining the counting method as the same vote can amount to the ninety percent, seventy-five percent and thirty percent support. Thus, the paradox is described in the title of the paper. The uniform threshold does not mean the uniform protection; it just increases the risk by leaving everything to the management's decision at the later stage of the process.

Otherwise, the application of a calibration framework where method, threshold, and safeguard rise simultaneously with the stakes will further the goals of SEBI to promote clarity and safeguard. Until then, consistency will continue to be an aesthetically pleasing yet empty concept.

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