Deutsche Bank
Securities Services

Namaste India

The comprehensive guide to investing in India

#PositiveImpact

10th Edition
2023

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आज़ादी का अमृत महोत्सव

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PREFACE

Hon'ble Prime Minister has set an ambitious goal of making India as third largest economy in the world in the coming years. A liberalised FDI policy is a step towards realisation of this goal which is evident from the blooming optimism among domestic and foreign investors towards India. The Government is spearheading the initiatives under Ease of Doing Business and reducing compliance burden which are aimed at creating a conducive business environment.

Data on growing FDI flowsis a testament to the country's relentless progress towards self-sufficiency, ably backed by policies and initiatives of the Government in synergy with regulatory authorities. India is rapidly emerging as a preferred investment destination and FDI inflow in last 9 financial years (2014-23: USD 596 billion) has doubled over the previous 9 financial years (2005-14: USD 298 billion).

FDI policy provisions have been progressively liberalized and simplified across various sectors including Defence, Insurance, Petroleum & Natural Gas and Telecom to make the policy more investor friendly wherein most sectors, except certain strategically important sectors, are open for 100% FDI under the automatic route. Government of India had amended FEMA paving the way for up to 20 per cent foreign direct investment in the insurance behemoth **LIC.** The Hon'ble FM's recent announcement on facilitating **direct listings** of Indian companies on foreign exchanges (beginning with exchanges in GIFT IFSC) will provide them with access to global capital and better valuations. To boost investment and production, **Production Linked Incentives** scheme have been introduced.Through **PM Gati Shakti** Plan, the government plans to create a comprehensive infrastructure network across India by allocating budget of around 120 billion dollars for infrastructure spending, which will require significant investment from both domestic and foreign investors.

The prospects for India remain positive with close to US $ 22 billion FPI inflows during the financial year 2023-24 (Apr-Aug 23), so far. Strong FPI inflows in India are supported by the resilient growth story, with favourable**GDP growth expectation** in 2023.The process of on boarding of FPIs have been made smoother by allowing registration on the basis of **scanned copies** of application forms and supporting documents, Use of Digital Signatures by FPIs, **Certification of copies of original documents** by authorized bank officials using SWIFT mechanism, Verification of PAN through the CAF module available and submission of **unique investor group ID by FPI** applicants in lieu of complete details of group constituents. FPIs have also been allowed to participate in **Exchange Traded Commodity Derivatives** (ETCDs) through Direct Market Access. To curb misuse of overseas investment routes and prevent violation of public shareholding regulations, high risk FPIs have been mandated to provide **granular data** of all entities with any ownership, economic interest, or control rights on a full look – through basis.

I would like to commend the Deutsche Bank India team on the Tenth Edition of the Namaste India. The book has served as a comprehensive and enlightening compilation of regulatory policies in India. I am confident that it would prove to be a very helpful to foreign investors investing in India.

Jain
11/9

भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

PREFACE

Amid global uncertainties, rise in inflation and economic sluggishness, the Indian economy, supported by strong macroeconomic fundamentals, has remained resilient and one of fastest growing in the world. The securities market has been instrumental in facilitating this growth, by providing multiple channels for capital raising and deployment in a manner that is cost effective, transparent and sustainable.

Investor trust is the backbone of the securities market. Towards building and maintaining this trust and confidence, SEBI has focused its efforts on bringing reforms and leveraging technology to enhance transparency, improve investor access, mitigate structural risks and vulnerabilities in the market, foster better governance and compliance amongst market participants; ultimately, making the securities market safer, and more efficient. In this endeavor, the full transition to a T + 1 settlement system, strengthening of governance mechanisms in Market Infrastructure Institutions, enhancements in sustainability reporting by listed entities, streamlining the on-boarding process of Foreign Portfolio Investors, are some of the latest reforms undertaken.

I congratulate the team at Deutsche Bank for their commitment to preparing this publication diligently, and contributing to enriching investors across the globe, on their understanding of intricacies of the Indian securities market.

Best wishes on the launch of the 10th edition of **Namaste India** !

Amarjeet Singh

AMARJEET SINGH

WHOLE TIME MEMBER

September 07, 2023

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Testimonials

My association with Deutsche Bank has been for more than 15 years now. It has been a great experience to work with the team. Amongst the banking industry, I must say that Deutsche Bank has been the front-runner in taking up various tax initiatives from both on direct as well as indirect tax matters. 'Namaste India' is one of its kind publication and provides a thorough overview of Indian tax and regulatory framework to foreign investors seeking opportunities for investment in India. There is something for everyone, be it FPIs, NRIs, FDI investors, and the most recent and talked about investment in GIFT City. I appreciate the efforts of Deutsche Bank in putting up this publication and wish them all the best for years to come!

Sunil Badala
Partner & Head BFSI – Tax
KPMG

The "Namaste India" publication issued by Deutsche Bank every year is a comprehensive yet easy to understand guide for new as well as existing foreign investors. The 2023 edition captures all the latest changes and developments in the market in a crisp and clear manner. It is a reference point not just for fund managers and their compliance, legal and operations teams, but for professionals as well. In a world where the regulatory environment is very dynamic, necessitating the need for constant realignment in regulations, the publication is a much appreciated source for getting all the information at one place.

I wish to congratulate Deutsche Bank Team for their tremendous effort in putting together this coveted publication year after year.

Rajesh H. Gandhi
Partner
Deloitte Haskins & Sells LLP

I have worked closely with Deutsche Bank Securities Services Team over the years.

I have always found them to be in sync with market developments, well engaged with regulators and policy makers, client focussed and a having solutions-oriented approach to the challenges of investing in Indian capital markets. I have also regularly contributed to their flagship publication Namaste India, which provides great information to FPIs about the regulatory framework for investing in India.

I wish the Deutsche Bank team the very best in this exciting journey of Indian Capital Markets, as India stands on the cusp of strong economic growth and momentum, and aims to become the third-largest economy in the world in the next few years.

Tejas Desai
Partner, Private Equity & Financial Services – Tax & Regulatory Services
Ernst & Young LLP

India is celebrating its *Azadi ka Amrit Kal* and 77th independence in 2023 with its profound emergence as an economic and financial powerhouse, showing its prowess globally.

The record net inflows by the FPI community in June 2023 of approximately USD 5,753 million plus in the equity segment is testimony of the outperforming Indian economy backed by all-time high GST collections, promising fiscal deficit, and strong Q4 FY2023 GDP numbers.

Growing at the current pace, India will continue to be amongst the top investment jurisdictions for both domestic and offshore investors, and may soon jump to become the third-largest economy in the world from the current fifth position.

The Namaste India guide is a testimony to Deutsche Bank's footprints in India, and continues to be one of the most sought for annual edition by foreign investors' fraternity who are looking for a torch bearer for guiding them for an entry in the Indian capital market.

I applaud the Deutsche Bank's Team for capturing all the relevant regulations and processes relevant for an offshore investor guiding them on the step-by-step pathway for their investments in India, in a crisp manner. Best wishes, especially for making the edition up and running consistently, and completing a decade this year.

Manoj Purohit
Partner, Financial Services – Tax Leader, Tax and Regulatory Services
BDO India LLP

Namaste India is a systematic approach to covering various regulatory and tax aspects and considerations for investing in India. It provides a comprehensive overview of all the regulations and tax laws involved for foreign investments in India under all routes available in Indian laws. This book addresses recent developments, proving itself to be a relevant and up-to-date reference. The book's organisation and layout are commendable. The content is well-structured, with clear headings and sub-headings, making it easy to find specific information quickly.

In conclusion, it is a comprehensive guide to foreign investments in India and is a must-have resource for investors, professionals, and anyone interested in gaining insights into the intricacies of foreign investment in India.

Malav Shah
Partner
Minesh Shah & Associates LLP

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Foreword

Globally, the year started on an apprehensive note, anticipating a grim global macro-economic scenario driven by inflationary risks from the persisting geopolitical tensions. Large economies were expected to be pushed into recession. Past the halfway mark, while several economies have demonstrated remarkable resilience, few advanced economies may continue to see prolonged growth slowdown.

An economy gaining sustained growth momentum amidst such lingering global uncertainties is India, which has become an appealing destination for direct and portfolio investments, firmly placing itself on the radar of international investors.

We, at Deutsche Bank are proud to bring to our clients and stakeholders, the 10th annual edition of Namaste India – marking a decade since we set out on the journey of the – handbook that simplifies the complexities of the dynamic Indian market.

We thank our clients, partners, colleagues and market intermediaries for their continued support, and contributions with their views in preparation of this edition of the handbook and look forward on the decade to follow.

Anand Rengarajan
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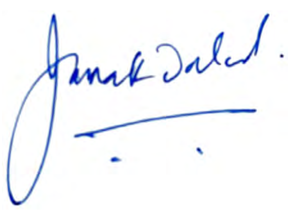

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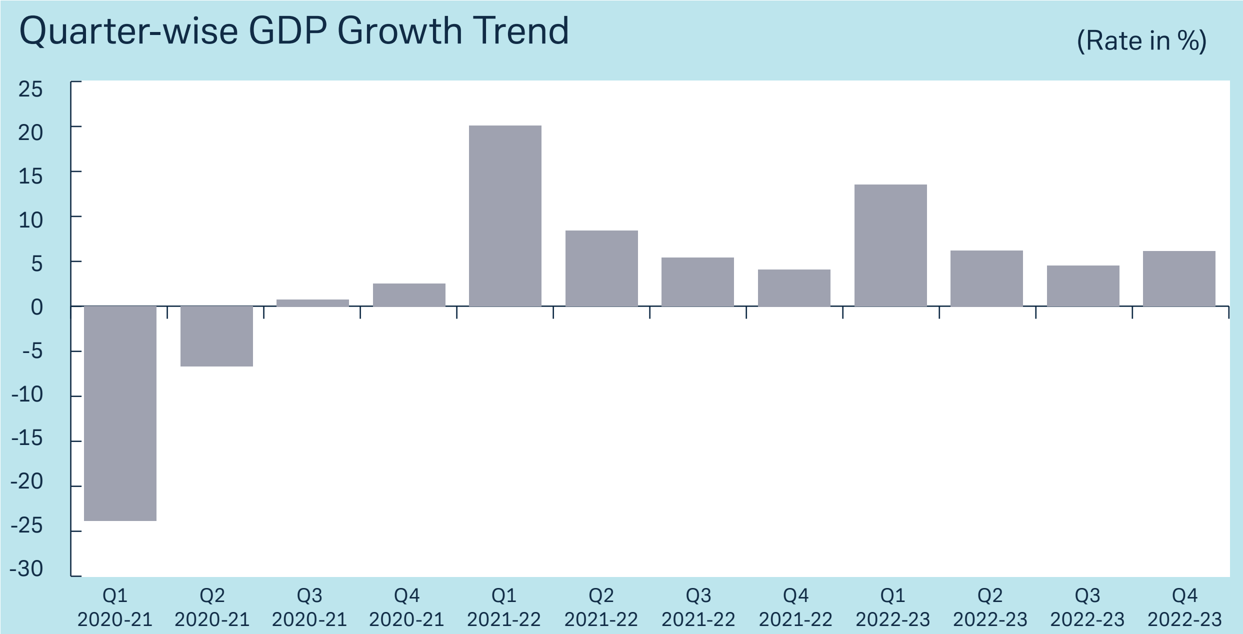
1 Introduction

The Indian economy continues to show resilience amid global uncertainties, which is great boost for the motivation of the people and the economy of the country. India has prospered in a slow-growing global economy by offering a chance for sustainable growth at macro level. The Indian stock market embraced new heights of domestic growth coupled with injection of funds by Foreign Portfolio Investors (FPIs), in the aftermath of COVID-19. Since April 2023, equity markets have rallied more than 8% year-to-date (YTD) helped by stable macroeconomic outlook.

In addition to the above, structural reforms, production-linked incentive schemes and projections of healthy economic growth are accelerating global investor interest. The GDP growth projection for 2023- 24 is retained at 6.5%. Inflation has shown notable signs of receding thanks to continued efforts by the Government of India and Reserve Bank of India (RBI).

The Indian capital market is one of the most dynamic and extensively regulated market, right from being one of first major market to move to T+1 settlement cycle. The recent times have seen major changes in the overall banking and securities market framework and permitting portfolio investments in other assets classes like commodities, along with focus on development of digital currencies. In such a scenario, Namaste India proves to be a one stop compilation guide for institutions, along with annual updates which helps them to stay conversant with the various amendments in the securities market regulations. It is also a quick snapshot of routes available for foreign investors. This year marks the 10th year anniversary to our humble launch of Namaste India in 2014. Over the last 10 years, our objective has been to make the investing in Indian markets as smooth as possible for the foreign investors and institutions looking to invest in the Indian capital markets.

India's GDP Growth



Source: Ministry of Statistics and Programme Implementation (MOSPI)

1.1. Background - FPI

Foreign Portfolio Investors (FPI) Regulations, 2014 were notified by the Securities and Exchange Board of India (SEBI) in January 2014, which became operational from June 01, 2014. The FPI market access model evolved over the years from FII/ sub-account/ QFI model to the harmonised FPI regime. The categorisation of FPI has been further simplified to Category-I and II only. Currently, there are over 11,000 registered FPIs.

With the introduction of FPI model, SEBI introduced the Custodians to undertake the role of Designated Depository Participant (DDP) in India. The DDP supports market entry process and licensing accompanied by implementation of a risk-based Know Your Client (KYC).

The objective of this guide is to provide comprehensive reference information to foreign investors on the FPI model overview of all investment routes including Foreign Direct Investment (FDI) and Foreign Venture Capital Investor (FVCI), along with a summarised look at the securities market structure in India, asset classes and investment rules associated thereto. An extensive chapter is included on Gujarat International Finance Tec-City (GIFT City), India's offshore financial centre.

1.2. What's New in 2023

This edition covers all the regulatory and procedural changes notified till August 15, 2023, as well as additional or amended material as applicable on key aspects relevant to FPIs.

1.3. Navigation through This Guide

- The document provides a context to the FPI model by sharing a summary information section on the Indian Securities Market and the various prevalent investment routes into India, as Chapters 2 and 3. This includes comparative tables on key aspects, such as investment permissions across the three foreign investment routes
- Against a background of steady growth in FDI into India, a separate section has been devoted to detailed coverage of FDI and FVCI routes as Chapters 4 and 5
- Comprehensive information on the process of FPI market entry is available in Chapter 6
- A comparative table on categorisation of FPIs, consequent investment restrictions and operating model is included in Chapter 7
- A detailed note on the risk-based KYC framework, applicable to FPIs as well as the KYC framework applicable to other foreign investment routes is included in Chapter 8
- Investment guidelines applicable to the FPI route are described in detail in Chapter 9. This section includes information on debt, equity and other permitted instruments, investment platforms, ownership limits, etc. Detailed notes on the various routes for investments in debt and comparative table for such investments have been included in this section. Comprehensive information regarding Securities Lending and Borrowing, the regulations governing derivatives and other hybrid instruments such as REITs, InvITs, etc. can also be found in this chapter
- FPIs experience the same highly developed and stable clearing and settlement structure, as domestic participants in the market. Overview of the clearing and settlement environment in the Indian Securities Market is available as Chapter 10. This section provides summary information, designed to convey key aspects
- A detailed note on Asset Servicing environment is included as Chapter 11
- Guidelines related to banking, remittance rules, currency hedging, and participation in currency derivatives are covered in Chapter 12
- An overview on the applicable tax structure is provided in Chapter 13. The information included is of indicative nature only, as actual tax applicability will differ on case-to-case basis depending on various factors. This chapter also includes the latest updates on the significant changes to tax environment, international tax administration, etc.
- Chapter 14 describes the International Financial Services Centre (IFSC) at GIFT City, Gandhinagar
- Chapter 15 covers details on Securities Lending and Borrowing
- Annexures include useful reference links, key contacts list, and forms/ templates relevant to FPI market entry

1.4. Namaste India E-Book

Namaste India is available as E-Book, accessible online and is freely accessible. E-Books are available for current as well as all the past editions, including Japanese version (2016-2021 editions) and Korean version (2019-2020 editions).

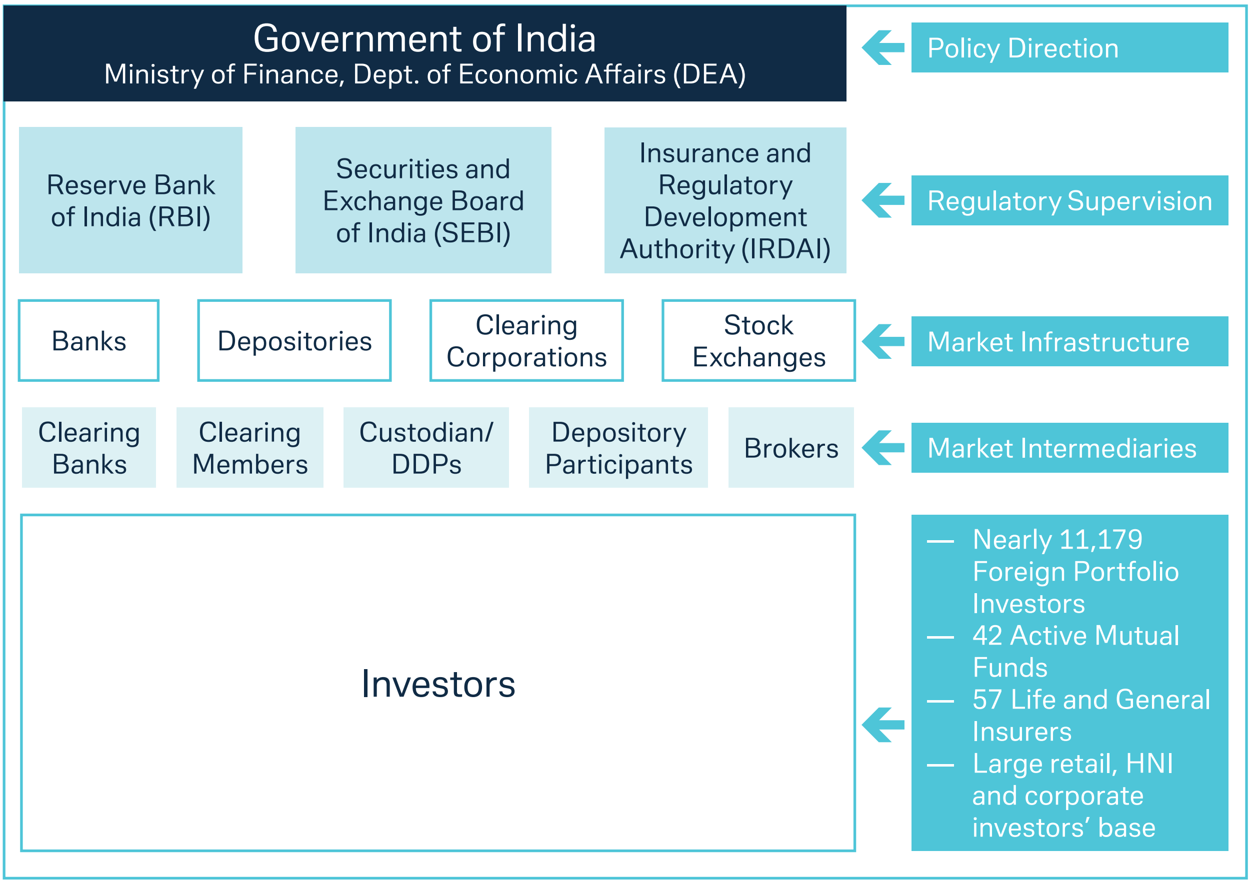
The E-Books can be accessed at: https://corporates.db.com/publications/magazines/namaste-india

2 Securities Market in India – Overview

The securities market in India has witnessed continuous reform initiatives that create an efficient and robust market infrastructure, expanding the investment opportunities with new products, and at the same time, protecting the interests of investors and making markets safer for all stakeholders.

2.1. Regulatory Structure

The following financial market regulators are autonomous bodies, established by statutes which provide for their composition, powers and procedures and which operate under the overall supervision of the Ministry of Finance.



Ministry of Finance (MoF), Government of India (GoI)
The Ministry of Finance is the apex ministry responsible for the administration of the GoI finances. Its primary responsibilities include: — Managing all the economic and financial matters affecting the country including mobilisation of resources for developmental activities — It regulates the expenditure of the Central Government including the transfer of resources of the various States — The Department of Economic Affairs (DEA) is the nodal agency of the GoI which formulates and monitors the country's economic policies and programmes at a macro level, and policies relating to the functioning of Indian banking, insurance and capital markets — The Capital Markets Division within the DEA takes primary responsibility of all policy issues related to the growth and development of the securities markets and the orderly functioning of SEBI
Securities and Exchange Board of India (SEBI)

SEBI is the regulatory and registering authority for the various intermediaries and institutional investors connected to the securities market. Its primary responsibilities include:
— Developing and regulating the securities market
— Protecting the interests of investors
— Regulating, recognising/ registering
    — Stock Exchanges, Depositories, Clearing Corporations
    — Custodians, Brokers and Clearing Members
    — Foreign and Domestic institutional investors
    — Corporates in terms of raising of capital, issuance and transfer of securities, and corporate benefits
— Conducting enquiries, audits and inspection of entities regulated by it
— Adjudicating offences and taking necessary course of actions for violations under SEBI Act

Reserve Bank of India (RBI)
RBI is the central bank for India performing various functions like: — Formulation, implementation and monitoring of the monetary policy with the objective of maintaining price stability and ensuring adequate flow of credit to productive sectors — Prescribing parameters for banking operations within which the country's banking and financial system functions — Regulation of the foreign investment inflows and outflows, being the custodian of the foreign exchange reserves — Governing the debt markets through primary dealers and providing liquidity support to market participants

2.2. Legal Framework

Important legislations governing the securities market in India are:

Companies Act, 2013
— Incorporation of a company and its responsibilities — Appointment, role, powers and duties of the Board of Directors — Modalities on dissolution of a company — Disclosures like audited financials, etc. — Issuance, allotment and transfer of securities, and disclosures to be made in public issues

Securities and Exchange Board of India Act, 1992 – SEBI Act, 1992 or SEBI Act
SEBI was established to develop and regulate the securities market, and to protect interests of investors. Key statutory framework applicable to foreign investors includes: — SEBI (Foreign Portfolio Investors) Regulations, 2019 (FPI Regulations) — Master Circular for Foreign Portfolio Investors, Designated Depository Participants and Eligible Foreign Investors — SEBI (Foreign Venture Capital Investors) Regulations, 2000 (FVCI Regulations) — SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011 (SAST Regulations) — SEBI (Issue of Capital and Disclosure Requirement) Regulations, 2018 (ICDR Regulations) — SEBI (Prohibition of Insider Trading) Regulations, 2015 (PIT Regulations) — SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (PFUTP Regulations)
Securities Contracts (Regulation) Act, 1956 – SCRA

— Regulation of business of dealing in securities market to prevent undesirable transactions
— Gives Central Government and SEBI regulatory jurisdiction over
    — Stock exchanges through a process of recognition and continued supervision
    — Contracts in securities
    — Listing of securities on stock exchanges

Depositories Act, 1996

— Establishment of depositories in securities market with the objective of ensuring near-instant transferability of securities with speed, accuracy and in a safe and secure manner
— Ensures electronic maintenance and transfer of ownership of dematerialised (demat) securities
    — Provides for all securities held in depository to be dematerialised and rendered fungible
    — Enables the depository to be the registered owner of the securities in the books of the issuer
    — Requires depository to maintain a register and index of beneficial owners
    — Excludes the depository as registered owner, from voting rights or any other rights in respect to the securities held by them
    — Beneficial owner shall be entitled to all rights and liabilities in respect to their securities held by a depository

The Insolvency and Bankruptcy Code, 2016 – IBC
Provides a time-bound process to resolve insolvency.
Foreign Exchange Management Act, 1999 – FEMA
Governs the foreign currency transactions, investments by foreign investors in Indian securities market including debt segment (both government and corporate debt) and various reporting requirements for foreign investors dealing in securities, etc. Key statutory framework applicable for foreign investors includes: — Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 (NDI Rules) — Foreign Exchange Management (Debt Instruments) Regulations, 2019 (Debt Regulations) — Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019 — Master Direction: Reporting under Foreign Exchange Management Act, 1999 — Master Direction: Foreign Investments in India
Reserve Bank of India Act, 1934 – RBI Act
Establishes Reserve Bank of India and provides its powers and functions for banking activities, Government Debt market.
Prevention of Money Laundering Act, 2002 – PMLA
Basic statutory framework for identification of customers, transaction monitoring, anti-money laundering measures, monitoring and reporting requirements etc. PMLA defines the broad framework for market regulators to prescribe regulations and rules for Know Your Customer (KYC), transaction monitoring and records, and the documentation therein.

2.3. Participants and Components in the Securities Market

The securities market comprises of participants namely, the issuers of securities, retail and institutional investors and the intermediaries (brokers, market makers, merchant bankers, custodians, etc.). The intermediaries like brokers, merchant bankers, etc. facilitate bringing together the issuers and investors on a platform/ marketplace to facilitate the trade.

Equities market in India is predominantly exchange-driven, while the debt market is a combination of Over-the-Counter (OTC) and exchange-traded models.

Indian securities market also includes a vibrant exchange-traded derivatives market (Futures and Options), with a variety of products, based on single stocks, index, currency, interest rate, etc.

Stock Exchange Supervision

The stock exchanges in India are self-regulatory organisations with their own rules, regulations and bye-laws, which are administered by their board of directors, though they are under the overall regulation of SEBI. Apart from ongoing administration, the exchanges are also responsible for ensuring orderly, transparent and fair-trading practices, controlling the admission and expulsion of members, maintaining investor protection and addressing investor grievances.

Foreign securities cannot be traded on Indian stock exchanges. SEBI has, however, permitted foreign companies to issue IDRs for trading on the Indian stock exchanges. FPIs must obtain a special permission from RBI for investing in IDRs.

2.4. Capital Market Overview

Regulators	— Reserve Bank of India (RBI) — Securities and Exchange Board of India (SEBI)
Securities Stock Exchanges	— National Stock Exchange (NSE) — Bombay Stock Exchange (BSE) — Metropolitan Stock Exchange of India (MSEI) — Multi Commodity Exchange (MCX) — National Commodity and Derivatives Exchange (NCDEX)
Central Counterparties	— NSE Clearing Limited (NCL) — Indian Clearing Corporation Limited (ICCL) — Multi Commodity Exchange Clearing Corporation (MCXCCL) — National Commodity Clearing Limited (NCCL)
Government Securities Market	— Negotiated Dealing System-Order Matching (NDS-OM) for trading, reporting — Clearing Corporation of India Ltd. (CCIL) for clearing and settlement
Depositories	— National Securities Depository Limited (NSDL) — Central Depository Services (India) Limited (CDSL) — RBI for Government Debt and Treasury Bills
Market Participants	Brokers, Custodians, Designated Depository Participants, Foreign Portfolio Investors, Domestic Asset Management Companies, Insurance Companies, Banks, Financial Institutions, Corporates and Retail Investors
Market Statistics	Market Capitalisation — BSE: USD 3,357 billion (July 2022) → USD 3,791 billion (July 2023) - 12.93% ↑ — NSE: USD 3,333 billion (July 2022) → USD 3,706 billion (July 2023) - 11.19% ↑ Total Forex reserves: USD 604 billion (July 2023)

Stock Indices	Among the various indices, the broad market indices below are key indicators of Indian market: — S&P BSE SENSEX: 57,570.25 (July 2022) → 66,527.67 (July 2023) - 15.56% ↑ — NIFTY 50: 17,158.25 (July 2022) → 19,753.80 (July 2023) - 15.13% ↑

2.5. Trading Guidelines Overview

Settlement Currency	Indian Rupee (INR): Convertible (on-shore)
Account Structure	Segregated Securities, Cash, and Depository account
Trading Hours	— Equity markets: 9.15 am to 3.30 pm (Pre-open call session: 9.00 am to 9.15 am) — Securities Lending and Borrowing (SLB) segment: 9.00 am to 5.00 pm — Debt segment for corporate bonds: 9.00 am to 3.30 pm for exchange-traded and 9.00 am to 5.00 pm for OTC market — Derivative segment (Futures and Options): 9.15 am to 3.30 pm — Currency derivative segment: 9.00 am to 5.00 pm — G-Sec market (NDS-OM): 9.00 am to 5.00 pm
Settlement Cycle	— Equities: T+1 (implemented w.e.f January 27, 2023) — SLB: T+1 — Derivatives: T+1 (mark-to-market margin) — G-Sec: T+1/ T+2 (OTC) and T+1 for NDS-OM Web. All confirmations to be completed on T — Corporate bonds: T+1 (exchange traded) and T+0 to T+2 (as agreed between counterparties in OTC market)
Short Selling	Permitted only against Borrow positions in the SLB segment
Trade Pre-matching	Available
Fail Trades	— Equities: Forced buy-in will be conducted by the exchange. Penalties will be levied — Corporate bonds: Default by one party will result in trade fail and funds/ securities returned back
Securities Lending	— Available as an exchange-based mechanism — Foreign investors can lend securities. However, they can only borrow securities for delivery into short sales (naked short selling is not permitted)

2.6. Securities Identification

ISIN (International Securities Identification Number) is the standard code for identifying the securities held in a depository account. NSDL is the national numbering agency in India to issue the ISIN for securities. The stock exchanges in India follow separate codes or numbering system for execution.

2.7. Asset Classes

The asset classes available for investments to foreign investors are as below:

2.7.1. Equities

— Ordinary Equity Shares
— Preference Shares
— Warrants

All transactions in equities are settled and held in dematerialised form at the depository. Listed equity securities traded on the stock exchanges are settled on rolling T+1 basis.

2.7.2. Fixed Income

Fixed income instruments or bonds can be classified into the following segments:

Market Segment	Issuer	Instruments
Government Securities	Central Government	Treasury Bills/ Zero-Coupon Bonds, Coupon Bearing Bonds, STRIPs in G-Sec
	State Governments	Coupon Bearing Bonds
	Local Bodies	Municipal Bonds
Public Sector Bonds	Statutory Bodies	Coupon Bearing Debentures
	Public Sector Units	PSU Bonds, Coupon Bearing Debentures
Private Sector Bonds	Corporates	Indian Rupee denominated - Debentures, Bonds, Floating Rate Bonds, Zero Coupon Bonds, Commercial Papers, Inter-Corporate Deposits Foreign Currency Exchangeable Bonds (FCEBs) and Foreign Currency Convertible Bonds (FCCBs) issued outside India
	Banks	Indian Rupee denominated Debentures, Bonds, Certificate of Deposit
	Financial Institutions	Indian Rupee denominated Bonds

Some of the key features of various fixed income instruments are as follows:

Government Securities (G-Secs)

— G-Secs are medium to long term instruments issued by the RBI on behalf of the Government of India (GoI) to finance the fiscal deficit of the country
— They are issued in bearer form but a holder also has an option of getting them registered
— The securities are held in book-entry form with the RBI
— There is an option to hold the securities in electronic form with the Depositories (NSDL and CDSL) as well

Corporate Bonds and Debentures

— Corporate bonds are issued with a variety of features
— Secured, unsecured debentures with maturity of 18 months are required to have a specified credit rating provided by approved credit rating agencies
— Corporate bonds are available in dematerialised form at the depository
— All publicly issued debentures are listed on exchanges

- FPIs are restricted to invest in Corporate Bonds having residual maturity of less than one year
- FPIs have been permitted to invest in unlisted debt securities subject to compliance with end-use restriction

Commercial Paper

- Commercial Paper (CP) is a short-term rupee-denominated and unsecured negotiable promissory note issued by Indian corporates, Primary Dealers (PDs) and Financial Institutions (FIs)
- With effect from June 2001, FIs are permitted to make fresh issuance and hold CPs in dematerialised form only
- FPIs are permitted to invest in CPs only under Voluntary Retention Route (VRR) and under Medium Term Framework (MTF) route with certain restrictions (details in Chapter 9)

2.7.3. Derivatives

- Index Futures and Options
- Single Stock Futures and Options
- Rupee Interest Rate Derivatives: Exchange Traded and OTC
- Currency Derivatives, including cross-currency Futures and Options

2.7.4. Indian Depository Receipts (IDR)

A foreign company can raise capital by accessing the Indian securities market through the issuance of IDRs. An IDR is a depository receipt denominated in Indian Rupees, which is created by a domestic depository (SEBI-registered custodian of securities in India) against underlying equity of the foreign company looking to raise funds from the Indian securities market.

2.7.5. INR Denominated Bonds Issued Outside India (Masala Bonds)

INR/ Rupee-denominated bonds or Masala Bonds are bonds issued by Indian companies and body corporates outside India. The bonds can be issued by private placement or listed on a stock exchange as per host country regulations. These bonds are governed by RBI's External Commercial Borrowing (ECB) framework.

2.8. Commodity Derivatives

The Commodity Derivatives market in India witnessed major reform through Finance Act, 2015, when it was brought under the purview of Indian securities market regulator, SEBI, to ensure a unified regulator for the commodities and securities markets. The commodity derivatives are regulated by SEBI under the SCRA, 1956.

Stock Exchanges	— National Commodity and Derivatives Exchange Limited (NCDEX) — Multi Commodity Exchange of India Limited (MCX) — Bombay Stock Exchange — National Stock Exchange
Clearing Corporations	— National Commodity Clearing Limited (NCCL) — MCX Clearing Corporation Limited (MCXCCL) — Indian Clearing Corporation Limited — NSE Clearing Limited

Traded Commodities	— Bullion — Gold and Silver — Metals – Aluminium, Copper, Lead, Nickel, Zinc, Steel — Energy – Crude Oil and Natural Gas — Agro – Cotton, Cardamom, Castor Seed, Rubber, Guar Seeds, Spices, Cereals and Pulses, etc.
Settlement Cycle	Currently all trades are mark-to-market at the closing price of contract, and mark-to-market requirements are settled at T+1.
Key Indices	NKrishi NKrishi is an agricultural commodities index computed by NCDEX. The index values are calculated using the prices of 10 agricultural commodity futures traded on the NCDEX platform. TR-MCX iCOMDEX Composite Index India's maiden real-time Composite Commodity Index based on commodity futures prices traded on MCX. Each commodity is selected primarily based on its liquidity and physical market size in India.

FPIs are permitted to participate exchange-traded commodity derivatives in India, however, only in cash-settled non-agricultural commodity derivative contracts and indices comprising such non-agricultural commodities.

2.9. Foreign Exchange (FX)

The Foreign Exchange market in India is governed and regulated by RBI. Indian Rupee (INR) is on-shore convertible currency against other foreign currencies.

- FX transactions can be booked through any Authorised Dealer of RBI
- Inflow of foreign currency in India is permitted against specified underlying transactions
- Conversion of foreign currency into INR by the foreign investors (portfolio or strategic) is permitted only for the purpose of investments in underlying securities

Contract Type	Description	FX Settlement – Exchange of currency
Spot	Spot FX is the most common foreign exchange transaction. A spot transaction requires to be settled within two business days.	T+2 (T being the FX booking day)
Tom	Tom FX is also referred to as overnight and settles on the following day.	T+1 (T being the FX booking day)
Cash/ Same day	Cash FX matures on the day the transaction takes place.	T+0 (T being the FX booking day)

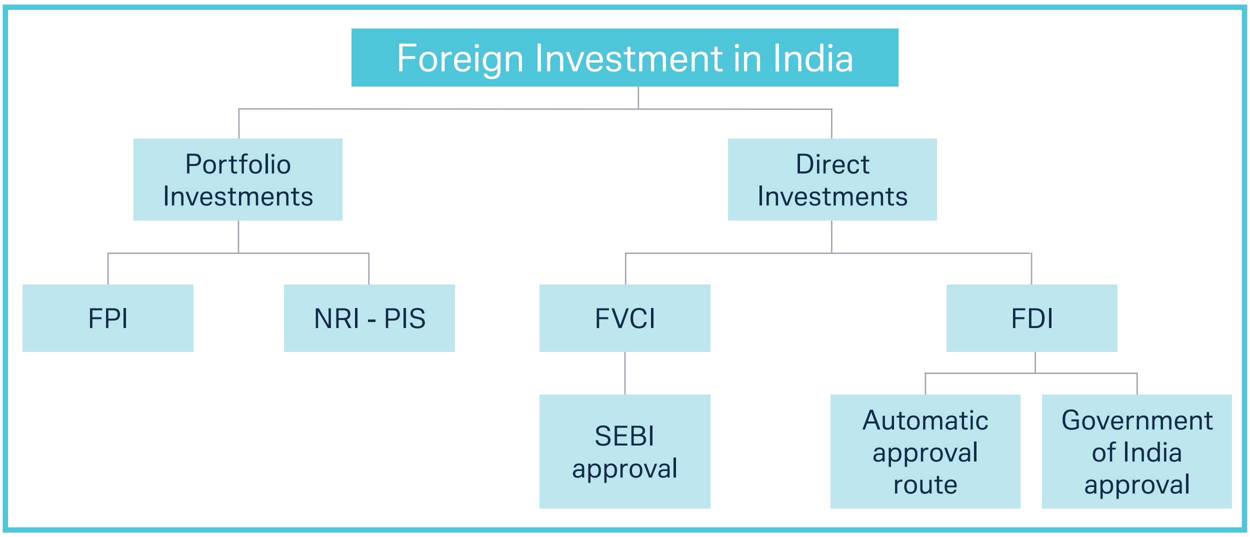
3 Investment Routes into India

3.1. Foreign Investment Avenues

The various routes available for entities established or incorporated outside India (foreign investors) to invest in securities issued by Indian companies are:

- Foreign Portfolio Investors (FPIs): Portfolio investments are permitted in listed securities on the Indian stock exchanges, fixed income securities, and exchange-traded derivatives. The foreign investors are required to obtain a FPI license prior to investments
- Foreign Direct Investments (FDIs) (Strategic Investments in Indian Companies): Investments can be made under the automatic investment route or the Government approval route depending on the sector of the investee company; the approvals for Government route would be provided by the respective Department/ Ministry within Government of India
- Foreign Venture Capital Investors (FVCIs): Investments permitted in Venture Capital undertakings falling under the specified sectors. The foreign investors can invest under this route after obtaining a license from Securities and Exchange Board of India (SEBI)
- Non-Resident Indian/ Overseas Citizen of India (NRIs/ OCIs): An Indian citizen who stays abroad for employment or carries on business or vocation outside India or a non-resident foreign citizen of Indian origin are permitted to invest in Indian securities under both the portfolio investment as well as strategic investment route under FDI

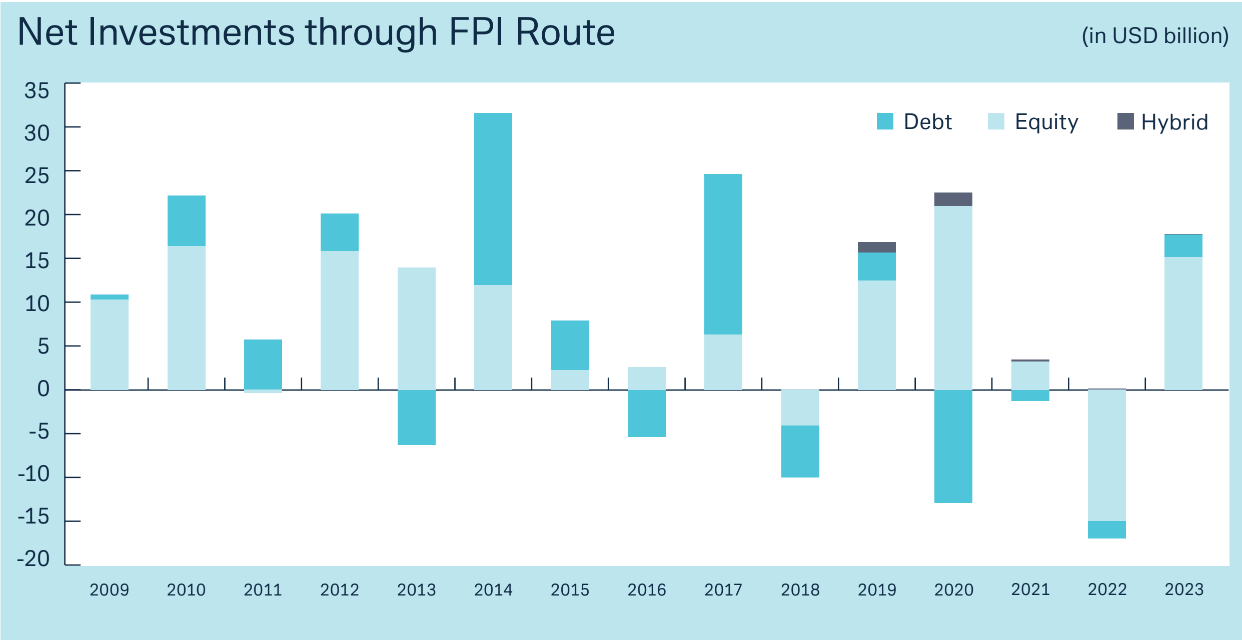
Given below is a snapshot of various investment routes available to foreign investors for accessing the Indian capital markets:



3.1.1. Foreign Portfolio Investor

- A harmonised route, which came into effect from June 01, 2014, merging the two existing modes of investment i.e., Foreign Institutional Investor (FII) and Qualified Foreign Investor (QFI)
- Investments under this route are governed by SEBI (Foreign Portfolio Investors) Regulations, 2019 (FPI Regulations) and guidelines as specified under Foreign Exchange Management (Debt Instruments) Regulations, 2019 and Foreign Exchange Management (Non-debt Instruments) Rules, 2019 issued by Government of India and RBI
- Market entry through Designated Depository Participant (DDP), who performs the market registration process on behalf of SEBI
- The DDP engaged by the FPI also acts as the Custodian to the FPI
- Foreign investors are required to provide registration and KYC documents along with fees for seeking registration
- The FPI registration license is perpetual, subject to payment of fees for every block of three years and completion of periodic KYC review
- Investments are permitted in securities as notified by SEBI and RBI. Such investments are governed by individual and sectoral foreign ownership limits and any other investment limits

FPI Investment Statistics

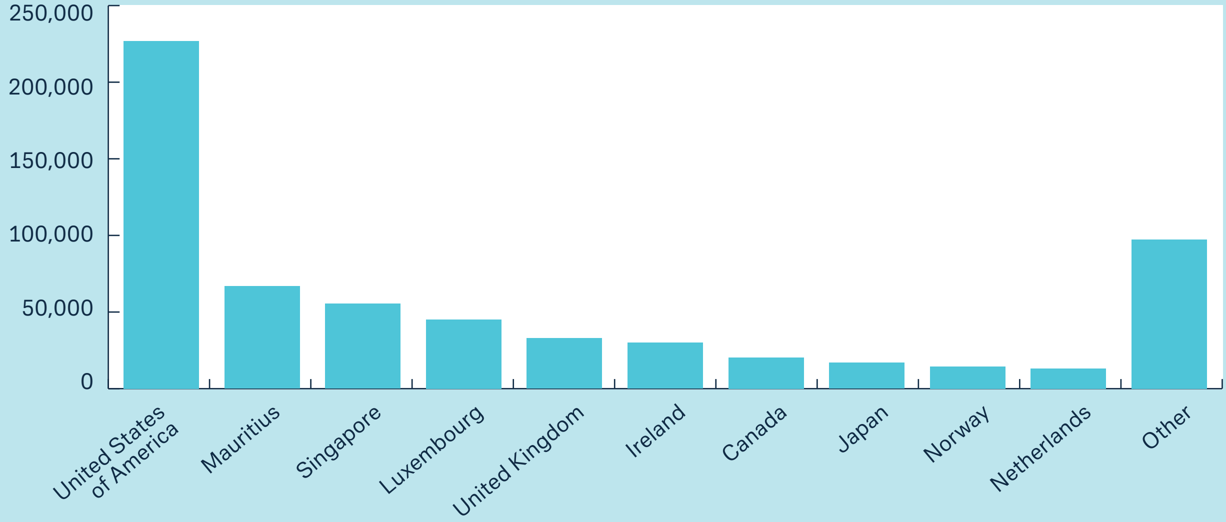


Figures till July 2023

Source: NSDL statistics

FPI Investment Trend – Top 10 Countries

Assets Under Custody (in USD million)



Figures of July 2023

Source: NSDL statistics

3.1.2. Foreign Direct Investment

- Investments through this route are considered strategic investments
- The investments are governed by guidelines as specified under Foreign Exchange Management Rules for Non-debt Instruments issued by Government of India and RBI and Consolidated FDI Policy issued by Department for Promotion of Industry and Internal Trade
- The investments need to adhere to sectoral entry rules – automatic or government approval, pricing guidelines, and sectoral limits amongst others
- Investments can be made in equity shares, compulsorily and mandatorily convertible debentures/ preference shares of an Indian company
- Government approval application should be requested online on Foreign Investment Facilitation Portal

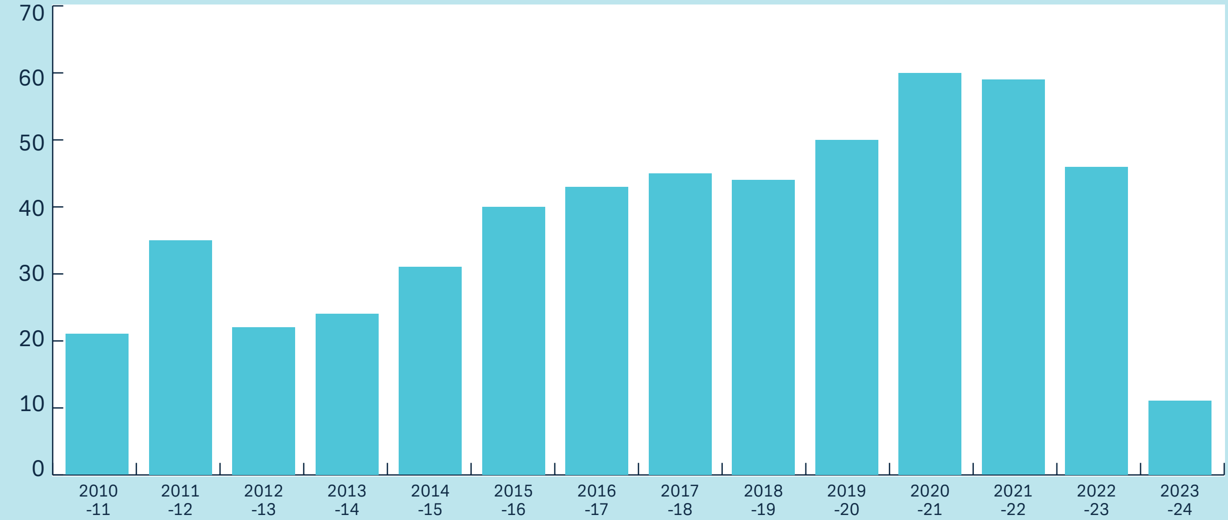
Automatic Route: Investment is allowed under the automatic route without prior approval of the Government or the Reserve Bank of India, in all activities/ sectors as specified in FDI policy issued by the Government of India and RBI from time to time.

Government Route: Foreign investment in activities not covered under the automatic route requires prior approval of the Government. Application has to be made online on Foreign Investment Facilitation Portal of Department of Industrial Policy and Promotion. The application would be considered by respective ministry/ department.

FDI Investment Statistics

Net FDI Investment to India

(in USD billion)



FY24 figures up to end of Q1 (June 2023)

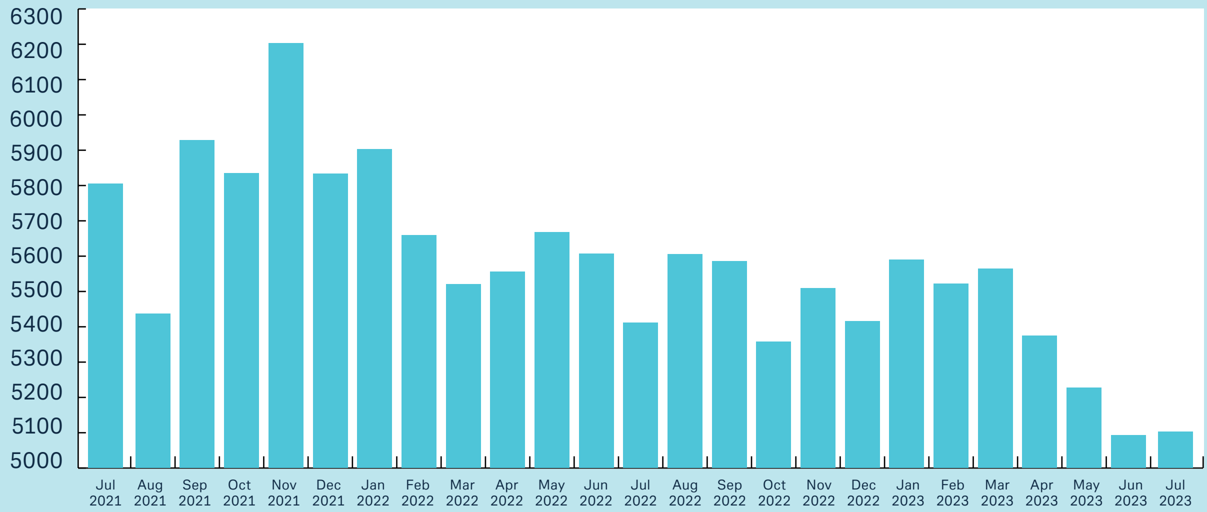
Source: DPIIT statistics

3.1.3. Foreign Venture Capital Investment

- Foreign investment in specified ventures/ sectors identified by Government of India
- Investments under this route are governed by SEBI's Foreign Venture Capital Regulations and Foreign Exchange Management guidelines issued by Government of India and RBI
- SEBI registration required: Registration application and supporting documents to be submitted through online portal with application fees
- Appointment of Custodian and an Authorised Dealer Bank are mandatory
- Investments restricted to 10 sectors and start-ups of any sector
- Pricing mutually agreed between the buyer and seller

Assets under Management of FVCI Entities

(in USD billion)



Source: NSDL statistics

3.1.4. Non-Resident Indians

- Portfolio investment route for Non-Resident Indians (NRI) and Overseas Citizen of India (OCI)
- Appointment of a Custodian is not compulsory
- Investment in listed equities and debt and any other securities permissible under FEMA
- Individual limit of 5% of total paid-up equity capital in any company, and an overall composite limit of 10%. This limit of 10% can be raised to 24%

3.2. Other Routes to Access Indian Securities

Apart from the routes mentioned above, non-resident investors can also invest in underlying Indian securities through the following routes:

3.2.1. Depository Receipts

Indian companies are permitted to raise capital through issuance of Depository Receipts, namely, Global Depository Receipts (GDRs)/ American Depository Receipts (ADRs) to foreign investors i.e., institutional investors or individuals (except NRIs) residing abroad. A Depository Receipt (DR) is a negotiable instrument in the form of a certificate denominated in foreign currency against underlying equity shares of the Indian company. The DRs are listed on international stock exchanges of the specified jurisdiction. The present list of permissible jurisdictions and international stock exchanges as specified by SEBI is given below. The certificates are issued through an overseas depository bank against a specified quantity of underlying Indian stocks/ shares held with a local Custodian bank. DRs facilitate cross-border trading and settlement, minimise transaction costs and broaden the potential base, especially among institutional investors.

- ADR: A negotiable U.S. certificate representing ownership of shares in a non-U.S. corporation. ADRs are quoted and traded in U.S. Dollars in the U.S. securities market. Also, the dividends are paid to investor in U.S. Dollars
- GDR: A global finance vehicle that allows an issuer to raise capital simultaneously in two or more markets through a global offering. GDRs may be used in either the public or private markets inside or outside the U.S.
- Foreign investments through the Depository Receipts route are considered as part of the FDI segment
- Resident Indians (RIs) and NRIs are not permitted to invest in DRs

Permissible Jurisdictions and International Exchanges where DRs can be Listed

Permissible Jurisdiction	Specified International Exchange
United States of America	NASDAQ, NYSE
Japan	Tokyo Stock Exchange
South Korea	Korea Exchange Inc
United Kingdom excluding British Overseas Territories	London Stock Exchange
France	Euronext Paris
Germany	Frankfurt Stock Exchange
Canada	Toronto Stock Exchange
International Financial Services Centre (IFSC) in India	India International Exchange, NSE International Exchange

3.2.2. Offshore Derivative Instruments

Offshore Derivative Instruments (ODIs) are issued by a registered FPI to other foreign investors seeking to access the Indian capital market. Issuance and reporting of such instruments are governed under the FPI regulations.

ODIs are covered in more detail in Chapter 9.

3.2.3. INR Denominated Bonds Issued Outside India (Masala Bonds) and Foreign Currency Convertible Bonds (FCCBs)

Indian Rupee (INR) denominated bonds issued outside India by Indian entities is governed by RBI's External Commercial Borrowing (ECB) framework. The bonds can be either placed privately or listed on exchanges as per host country regulations.

FCCBs refers to foreign currency denominated instruments. Issuance of FCCBs should be without any warrants attached. The issue related expenses shall not exceed 4% of the issue size and in case of private placement, shall not exceed 2% of the issue size.

Following guidelines issued by RBI should be adhered to:

- The bonds can only be issued in a country, and subscribed by a resident of a country which is FATF or IOSCO compliant, except for
  - Multilateral and Regional Financial Institutions, where India is a member country, are permitted to invest in these bonds
- The all-in-cost ceiling for INR denominated bonds will be 450 basis points over the prevailing yield of the Government of India Securities of corresponding maturity, while for FCCBs, the ceiling will be 500 basis points over the prevailing yield of the Government of India Securities of corresponding maturity
- Minimum average maturity period is three years, though RBI may prescribe different minimum average maturity periods for specified sectors
- End-use Restriction – The proceeds of the borrowing can be used for all purposes except for the following:
  - Real estate activities
  - Investment in capital market
  - Working capital purposes under certain specific conditions
  - General corporate purposes, except if certain conditions are met
  - Repayment of Rupee loans, except if certain conditions are met
  - On-lending to other entities for any of the above purposes, except if certain conditions are met

3.3. Composite Sectoral Caps

The Government of India has introduced composite sectoral caps for simplification of FDI policy to attract foreign investments. Composite sectoral caps will include all types of direct and indirect foreign investment, regardless of whether the investment is in the form of FDI, FPI, FVCI, Limited Liability Partnerships (LLPs), Depository Receipts, or investments by NRIs.

3.4. Permitted Investments for Foreign Investors

The table below summarises the types of investment instruments available to different categories of investors.

Market Segment	Instrument Type	FPI	FDI	FVCI
Equity	Listed Equity	Yes	Yes*	Yes*
	Unlisted Equity	No	Yes	Yes
	Preference Shares (fully, compulsorily, and mandatorily convertible)	Yes*	Yes	Yes
	Warrants	Yes*	Yes	Yes
	Corporate Bonds – Convertible (compulsorily and mandatorily)	Yes*	Yes	Yes
	Partly Paid Shares	Yes*	Yes	No
Fixed Income	Dated Government Securities	Yes	No	No
	Treasury Bills	Yes*	No	No
	Municipal Bonds	Yes	No	No
	Commercial Papers	Yes*	No	No
	Repo Transactions	Only under VRR*	No	No
	Corporate Bonds – Non-Convertible	Yes*	No	Yes*
	Corporate Bonds Under Default	Yes*	No	No
	Unlisted Corporate Bonds – Non-Convertible***	Yes	No	Yes*
	Debt Instruments Issued by Banks, Eligible for Inclusion in Regulatory Capital	Yes	No	No
	Credit Enhanced Bonds	Yes	No	No
	Rupee Denominated Bonds/ Units Issued by Infrastructure Debt Funds	Yes	No	No
	Securitised Debt Instruments	Yes*	No	No
Mutual Funds	Units of Mutual Funds	Yes**	No	No
	Exchange-Traded Funds (ETFs)	Yes	No	No
Derivative Contracts	Index Futures (Exchange-Traded Derivatives (ETDs))	Yes	No	No
	Index Options (ETDs)	Yes	No	No
	Stock Futures (ETDs)	Yes	No	No
	Stock Options (ETDs)	Yes	No	No
	Interest Rate Futures (ETDs)	Yes	No	No
	Currency Derivatives (ETDs and OTC)	Yes*	No	No
	Cross-Currency Derivatives (ETDs)	Yes	No	No
	Interest Rate Swaps	Yes*	No	No
Securities Lending and Borrowing (SLB) Segment	Listed Equity	Yes	No	No

Market Segment	Instrument Type	FPI	FDI	FVCI
Others	Units of Collective Investment Schemes	Yes	No	No
	Security Receipts Issues by ARCs	Yes	No	No
	Units of Category-I Alternative Investment Funds	No	Yes	Yes
	Units of Category-II Alternative Investment Funds	No	Yes	No
	Category-III Alternative Investment Funds	Yes	Yes	No
	Units of Real Estate Investment Trusts (ReITS)	Yes	Yes	No
	Units of Infrastructure Investment Trusts (InvITS)	Yes	Yes	No

* Additional restrictions or conditions may be applicable specific to the asset class and investment route.

** Units of short-term investment schemes of mutual funds – FPIs are not permitted to invest in liquid and money market mutual funds. Investments in debt mutual funds will be reckoned under the corporate bond limits. Investments in mutual funds are not permitted under VRR route.

*** Unlisted Corporate Bonds are subject to end-use restriction.

FPIs are not permitted to invest in partly-paid debt instruments.

4 Foreign Direct Investment (FDI)

4.1. Regulatory Framework Governing Foreign Direct Investments

Investments under this route are governed by guidelines as specified under

- Consolidated FDI Policy issued by Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry. The FDI policy can be accessed at - https://dpiit.gov.in/foreign-direct-investment/foreign-direct-investment-policy
- Foreign Exchange Management Act, 1999
  - Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 (Non-Debt Rules)
  - Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019 (Non-Debt Payment and Reporting Regulations)

4.2. Entry Routes for FDI

Under the FDI Scheme, investments can be made in shares, mandatorily and fully convertible debentures and mandatorily and fully convertible preference shares of an Indian company by non-residents through either the automatic route or through the Government approved route, based on the sector.

4.2.1. Automatic Route

Investment by a person resident outside India does not require the prior approval from the Government of India (GoI) or the Reserve Bank of India (RBI). Sectors allowed under the automatic route, subject to conditions, can be accessed at - https://dpiit.gov.in/sites/default/files/FDIPolicy_AutomaticRoute_26April2023.pdf

4.2.2. Government Approved Route

Investment by a person resident outside India in certain specified sectors requires prior approval from Government of India. In addition, an entity of a country, which shares land border with India or where the beneficial owner of an investment into India is situated in or is a citizen of any such country, should seek prior approval from GoI.

Sectors requiring government approval can be accessed at - https://dpiit.gov.in/sites/default/files/FDIPolicy_GovernmentApprovalRequired_26April2023.pdf

4.3. Procedure for Government Approval

Application for approval should be made online on Foreign Investment Facilitation Portal of DPIIT and will be reviewed and approved by respective Ministry/ Department.

Timelines for application approval

Cumulative Time Period

1 week	2 weeks	4 – 6 weeks	8 weeks	10 – 12 weeks
FDI proposal filed on the FIFP ↓ DPIIT will send the proposal to the concerned Ministry/ Department (Competent Authority) within 2 days ↓ The applicant submits a signed physical copy of the proposal to the Competent Authority within 1 week, if needed	The Competent Authority will scrutinise the proposal within 1 week and requisition relevant additional information/ documents from the applicant, if required	DPIIT is required to provide clarification on specific issues of FDI Policy, as may be referred by the Competent Authority ↓ The concerned Ministry/ Department/ Regulator consulted on the proposal are required to upload their comments on the FIFP within 4 weeks from receipt of the proposal	In case the proposal requires security clearance, the Ministry of Home Affairs (MHA) will have to give their comments within 6 weeks from receipt of the proposal	Competent Authority will process the proposals, and decision to be intimated to the applicant — For proposals not requiring security clearance, the deadline is 10 weeks — For proposal requiring security clearance, the deadline is 12 weeks

Note

- Additional 2 weeks will be given to DPIIT for consideration of the following:
  - Proposals proposed for rejection
  - Competent Authority proposes to impose additional conditions not provided in the FDI Policy
- Time limits allotted exclude time taken by applicants in providing additional information as required by the Competent Authority

Online Filing of Application:

- The applicant is required to submit the proposal for foreign investment on the portal and along with supporting documents
- DPIIT will identify the concerned Administrative Ministry/ Department and e-transfer the proposal to the respective competent authorities within two days
- No physical copy required to be submitted; if the application and documents are digitally signed
- For applications which are not digitally signed, DPIIT would inform the applicant through online communication to submit one signed physical copy of the proposal to the Competent Authority, within seven days of receipt of such communication. Additional seven days extension may be provided
- However, if the application is not submitted to the competent authority within 14 days, then the proposal will be treated as closed

Competent Authorities for Grant of Approval for Sectors/ Activities

Administrative Ministry/ Department	Sector/ Activity
Ministry of Mines	Mining
Department of Defence Production, Ministry of Defence	Defence - Items requiring Industrial License under the Industries (Development and Regulation) Act, 1951, and/ or Arms Act, 1959
Ministry of Home Affairs	Manufacturing of small arms, and ammunitions, private security agencies
Ministry of Information and Broadcasting	Broadcasting, Print Media, and Digital Media
Ministry of Civil Aviation	Civil Aviation
Department of Space	Satellites
Department of Telecommunications	Telecommunication
Nodal Administrative Ministries/ Departments	Cases pertaining to Government approval route, sectors/ activities requiring security clearance as per extant FEMA Regulations, FDI Policy and security guidelines
Department for Promotion of Industry and Internal Trade	Trading (Single, Multi-brand and Food Product Retail Trading)
Department of Economic Affairs	Financial Services not regulated by any Financial Sector Regulator, foreign investment into a Core Investment Company/ Investing Company
Department of Financial Services	Banking (Public and Private)
Department of Pharmaceuticals	Pharmaceuticals
Following cases would be taken up by Concerned Administrative Ministry/ Department as identified by the DPIIT — Applications arising out of Press Note 3 (PN3), i.e., an entity of a country, which shares land border with India or where the beneficial owner of an investment into India is situated in or is a citizen of any such country — Any transfer of existing or future FDI in an entity in India resulting in change of beneficial ownership, as mentioned above, needs prior approval — Issue of equity shares for import of capital goods/ machinery/ equipment (excluding second-hand machinery) — Issue of equity shares for pre-operative/ pre-incorporation expenses (including payments of rent etc.) — Proposals by Non-Resident Indians (NRIs)/ Export Oriented Units (EOUs) requiring Government approval	

The procedure and timelines for processing of applications are:

— The application is circulated online within two days by DPIIT to RBI for comments from FEMA perspective
— Application for foreign investment in sectors requiring security clearance would additionally be referred to Ministry of Home Affairs (MHA) for comments
— Categories of proposals which require security clearance from MHA have been provided by the Standard Operating Procedure (SOP)
— All proposals are forwarded to Ministry of External Affairs (MEA) for information
— Applications involving total foreign equity inflow of more than INR 50 billion, is placed for consideration of Cabinet Committee on Economic Affairs (CCEA). After the receipt of the decision of CCEA, approval letter shall be issued within one week. The detailed SOP can be accessed here: https://fifp.gov.in/Forms/SOP.pdf

Monitoring and Review:

— Competent Authorities will hold a regular monthly review on the foreign investment proposals pending with them
— Secretary, DPIIT will convene regular review meeting on pendency of FDI proposals with the concerned administrative ministry periodically every four to six weeks. The Secretary of the concerned Administrative Ministry/ Department may also attend the meeting
— Administrative Ministries/ Departments should maintain an updated database of all the proposals dealt by them and update information regarding the physical receipt of the application and the decisions taken on the portal. They should also furnish a fortnightly report on pending proposals

4.4. Eligibility Norms

A person resident outside India (non-resident) can invest in Indian companies, subject to the FDI Policy except in those sectors/ activities which are part of the prohibited list.

However, an entity of a country, which shares land border with India or where the beneficial owner of an investment into India is situated in or is a citizen of any such country, shall invest only with prior Government approval.

Eligible investors need to adhere to uniform KYC norms as specified by SEBI and RBI from time to time.

4.5. Prohibited Sectors for FDI

FDI is prohibited in the following sectors:

— Lottery business including Government/ private lottery, online lotteries, etc.*
— Gambling and betting, including casinos etc.
— Chit funds
— Nidhi company
— Trading in Transferable Development Rights (TDRs)
— Real estate business, or construction of farm houses
— Manufacturing of cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes
— Activities/ sectors not open to private sector investment, e.g., atomic energy, railway operations

* Foreign technology collaboration in any form including licensing for franchise, trademark, brand name, management contract is also prohibited for lottery business, gambling and betting activities.

4.6. Account Structure

The entity seeking to invest under FDI route, is permitted to open a securities and depository account with a custodian/ depository participant for safekeeping of the securities acquired.

INR/ foreign currency cash account is not permitted to be opened. Flow of funds are conducted through normal banking channels or through an escrow account.

4.7. Caps on Investment

Sectoral cap is the maximum amount which can be invested by foreign investors in an Indian entity, unless provided otherwise. It is composite and includes all types of foreign investments, direct and indirect. The sector caps are specified in Foreign Exchange Management (Non-Debt Instruments) Rules, 2019.

4.8. Conditions on Investment

Investments in certain sectors has specific entry conditions. Such conditions may include:

- Norms for minimum capitalisation
- Lock-in period, etc.

Besides the entry conditions on foreign investment, the investment/ investors are required to comply with all relevant sectoral laws, regulations, rules, security conditions, and state/ local laws/ regulations.

4.9. Modes of Investment under FDI Scheme

Foreign Direct Investment (FDI) in India can be made through the following modes:

I. Primary: Issuance of fresh shares by the company:
   - An Indian Company may issue fresh equity instruments under the FDI Scheme to a person resident outside India, subject to compliance with the extant FDI policy and the FEMA Rules
   - Indian company may issue fully paid-up equity shares to a person resident outside India
     - At a price not less than the price calculated as per SEBI guidelines for a listed company
     - At a price not less than the valuation of such unlisted Indian company as per internationally accepted methodology and duly certified by a Merchant Banker/ Chartered Accountant. The valuation certificate must not be more than 90 days old as on the date of the transfer
   - Indian Company may issue equity instruments to a person resident outside India if the Indian investee company is engaged in an automatic route sector, against:
     - Swap of equity instruments
     - Import of capital goods or machinery or equipment (excluding second-hand machinery)
     - Pre-operative or pre-incorporation expenses (including payments of rent etc.)
   - Against any funds payable by it to such person resident outside India, provided remittance of such funds is permitted, under FEMA regulations or rules or directions specified
   - The capital instruments should be issued within 60 days from the date of receipt of the remittance. If not issued within the time period, the amount of consideration should be refunded within 15 days from the date of completion of 60 days

II. Secondary: Acquisition by way of transfer of existing shares by person resident in or outside India:
- A person resident outside India (who is not NRI/ OCI) can purchase from or transfer by way of sale or gift, the capital instruments of an Indian company or units held by him to another person resident outside India (including NRIs)
- Government approval is not required for transfer of shares in the investee company from one non-resident to another non-resident in sectors which are under automatic route. In addition, approval of Government will be required for transfer of stake from one non-resident to another non-resident in sectors which are under Government approval route
- Transfer from a person resident outside India to a person resident in India shall not exceed
  - The price calculated as per SEBI guidelines in case of a listed company
  - The valuation of equity instruments done as per any internationally accepted pricing methodology for valuation on an arm's length basis duly certified by a Chartered Accountant or a Merchant Banker in case of an unlisted Indian company
  - In case of swap of equity instruments, subject to the condition that irrespective of the amount, valuation involved in the swap arrangement shall have to be made by a merchant banker or an investment banker outside India
- A person resident outside India may purchase capital instruments of a listed Indian company on a stock exchange in India if:
  - The person resident outside India making the investment has already acquired control of such company in accordance with SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011 and continues to hold such control
  - Consideration to be paid as inward remittance from normal banking channels or out of the dividend payable by the Indian investee company under specified conditions

4.10. Inflow

The consideration amount paid by a person resident outside India for acquisition of shares of the Indian company under the FDI scheme can be by:
- Inward remittance through normal banking channels
- Debit to NRE/ FCNR/ Escrow Account maintained with an AD Category-I Bank under Foreign Exchange Management (Deposit) Regulations

4.11. Regulatory Reporting of Transactions

Reports	Reporting to	Frequency	Responsibility	Remarks
FDIs: Reporting requirement				
Issuance of shares (Form FC-GPR)	RBI	To be filed within 30 days from the date of issue of shares	Indian company through its AD Category-I Bank	
Transfer of Shares between resident and non-resident (Form FC-TRS)	RBI	To be filed within 60 days from the date of the receipt of consideration or transfer of capital instruments, whichever is earlier	Resident Transferor/ Transferee through its AD Category-I Bank	Onus of filing with the resident investor

In order to promote the ease of reporting of transactions related to FDI, RBI has enabled online filing of such reports. The reporting should be filed through the portal provided by RBI at https://firms.rbi.org.in/ and will be approved by the appropriate Authorised Dealer Bank for the particular transaction.

4.12. Remittance of Sale Proceeds

- Remittance of sale proceeds of a security (net of applicable taxes) to the seller of shares resident outside India is permitted, provided:
  - The security has been held on repatriation basis
  - The sale of security has been made in accordance with the prescribed guidelines, and
  - No Objection Certificate (NOC)/ Tax Clearance Certificate has been produced and necessary taxes paid
- Remittance of winding up proceeds of companies in India, which are under liquidation, is permitted, provided the applicant submits:
  - NOC/ Tax Clearance Certificate for the remittance and applicable taxes are paid
  - Auditor's certificate confirming that all liabilities in India have been either fully paid or adequately provided for
  - Auditor's certificate to the effect that the winding up is in accordance with the provisions of the Companies Act
  - Auditor's certificate to the effect that there are no legal proceedings pending in any court in India against the applicant or the company under liquidation and there is no legal impediment in permitting the remittance
  - Dividends are subject to withholding tax provisions and can be repatriated subject to payment of applicable taxes, if any
  - Interest on fully, mandatorily, and compulsorily convertible debentures is also subject to withholding tax provisions and can be repatriated subject to payment of applicable taxes

5 Foreign Venture Capital Investors (FVCI)

Venture Capital (VC) investments are seen as an important channel to promote innovation, enterprise and conversion of scientific technology and knowledge-based ideas into commercial production. The considerable potential of Venture Capital Funds (VCFs) for augmenting the growth of knowledge-based industries is relevant to several areas such as information technology, biotechnology, pharmaceuticals, agriculture, food processing, telecommunications, services, etc.

5.1. Legal and Regulatory Framework for FVCIs

Regulators	Key Regulations Applicable to FVCIs
SEBI	— SEBI (Foreign Venture Capital Investors) Regulations 2000 (FVCI Regulations) — SEBI (Alternative Investment Funds) Regulations, 2012 (AIF Regulations)
RBI	— Foreign Exchange Management (Non-Debt Instrument) Rules, 2019 (Non-Debt Rules) — Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019 (Payment and Reporting for Non-Debt Instruments Regulations)

5.2. Definitions

Foreign Venture Capital Investor	An investor who is incorporated and established outside India, is registered under FVCI regulations, and proposes to make investment in accordance with these regulations
Venture Capital Fund (VCF)	A fund registered with SEBI under: — VCF Regulations, or — AIF Regulations in the sub-category of 'VCF' under Category-I (Cat-I) AIF

Venture Capital Undertaking (VCU)	A Domestic company which is:
	— Not listed on a recognised stock exchange in India at the time of making investment
	— Engaged in the business for providing services, production or manufacture of article or things excluding below activities or sectors:
	  — Non-Banking Financial Companies (NBFCs) registered with RBI, with the exception of Core Investment Companies (CICs) in the infrastructure sector, Asset Finance Companies (AFCs), and Infrastructure Finance Companies (IFCs)
	  — Gold financing
	  — Activities not permitted under the Industrial Policy of Government of India
	  — Any other activity which may be specified by SEBI

Investee Company	A FVCI can make investment in: — Company — Venture capital fund/ alternative investment fund — Special Purpose Vehicle (SPV) — Limited Liability Partnership (LLP) — Body Corporate — Real Estate Investment Trust (REIT) and Infrastructure Investment Trust (InvIT)
Investible Funds	The fund committed for investments in India net of expenditure for administration and management of the fund

5.3. Market Entry

Any resident outside India seeking to invest in an Indian company under the VC route is required to seek registration from SEBI as a FVCI.

5.3.1. Registration Process

Eligible Applicant	— Applicant is an Investment Company, Investment Trust, Investment Partnership, Pension Fund, Mutual Funds, Endowment Fund, University Fund, Charitable Institution, Asset Management Company, Investment Manager or Investment Management Company or any other Investment Vehicle incorporated outside India — Applicant is authorised to invest in VCF or carry on an activity as a FVCI or AIF in its jurisdiction
Other Eligibility Criteria	— Track record, professional competence, financial soundness, experience, general reputation of fairness and integrity — Applicant has been granted necessary approval by the Reserve Bank of India for making investments in India — Applicant is regulated by an appropriate foreign regulatory authority or is an income taxpayer, or submits a certificate from its banker of its or its promoter's track record where the applicant is neither a regulated entity nor an income taxpayer — Requirement of 'Fit and Proper' as per Schedule II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008

Registration Documentation	— Application to SEBI in Form A as prescribed under FVCI Regulations along with the application fee
	— An FVCI has to submit the following documents/ declarations (in duplicate) along with the application (Form A) for registration:
	— Copy of:
	  — Certificate of registration with home regulator, or
	  — Copy of income tax return filed in the home country, or
	  — Copy of banker's certificate of fair track record of the applicant
	— Copy of Constitution Document of the applicant (such as MoA and AoA) Main objects permit the applicant to carry on the activity of VC
	— Details of related entities, KYC, domestic custodian, designated banks
	— Structure diagram of the applicant
	— Whether the applicant has not been refused a certificate by SEBI
	— Disclose investment strategy as required under Regulation 11 (a) of the FVCI Regulations, along with the duration of life cycle of the fund
	— Declaration in respect of 'Fit and Proper Person' criteria as specified under Schedule II of the SEBI (Intermediaries) Regulation, 2008
	— Other undertakings as mentioned in the FAQs published by SEBI
	— Copy of latest financial statements of the applicant or the promoters
	— Firm commitment letters from investors of the applicant for contributions aggregating to at least USD 1 million
	— Copies of financial statements of the applicant's investors who have provided firm commitment letters, for the financial year preceding the one during which this application is being made
	— Name, address, contact number and the e-mail address of all investors of the applicant providing firm commitment letters
	— FVCIs are required to disclose the life cycle of the fund to SEBI

Account Structure	For undertaking transactions as a FVCI, post receipt of the approval from SEBI, the entity is permitted to open: — A securities and depository account with the custodian — A non-interest-bearing foreign currency account and Special Non-resident Rupee account with an Authorised Dealer Bank
Conditions of Certificate	Certificate granted is subject to the conditions given below: — FVCI to abide by the provisions of the Act and these regulations — FVCI to appoint a domestic custodian for purpose of custody of securities — FVCI to enter into arrangement with a designated bank for the purpose of operating a special non-resident rupee or foreign currency account — FVCI should forthwith inform SEBI in writing if any information or particulars previously submitted to SEBI are found to be false or misleading in any material in particular or if there is any change in the information already submitted

5.3.2. Fees

Fee Type	Amount (in USD)	When paid
Application Fee	2,100 + GST @18% = 2,478/-	At the time of application
Registration Fee	8,500 + GST @18% = 10,030/-	Once in-principal approval is granted

5.4. Investment Guidelines

Investment Restrictions	
Permitted Investment for FVCI	— Securities (not listed on a recognised stock exchange at the time of issue) of an Indian company engaged in the 'Permitted Sectors' — Securities issued by an Indian "Start-up" irrespective of the sector of the start-up — Units of a VCF or of a Cat-I AIF or units of a scheme or of a fund set up by a VCF or by a Cat-I AIF — There will be no restriction on transfer of any security/ instrument held by the FVCI to any person resident in or outside India — An FVCI may purchase the permitted securities/ instruments either from the issuer of those securities/ instruments or from any person holding those securities/ instruments — FVCI may acquire/ transfer securities, it is allowed to invest in, at a price mutually acceptable to both buyer and seller — Investment by an FVCI in capital instruments of an Indian company will be subject to the reporting, sectoral caps, entry routes and attendant conditions
Investment Conditions	— Investments to be in accordance with the investment strategy submitted to SEBI — Permitted to invest its total funds committed in single VCF or AIF — Cannot invest in companies engaged in excluded activities mentioned in the VCU definition

Permitted Investment Split (to be achieved by the FVCI by the end of its life cycle)	— Minimum 66.67%, i.e., 2/3 of investible funds to be invested in unlisted equity shares or Equity Linked Instruments of VCU or Investee Company
	— Maximum 33.33%, i.e., 1/3 of Investible funds can be invested in:
	    — IPOs of a VCU or Investee Company as defined above, whose shares are proposed to be listed
	    — Debt or debt instrument of VCU or Investee Company in which the FVCI has already made an investment by way of equity
	    — Preferential allotment of equity shares of a listed company, subject to a lock-in period of one year
	    — SPV created for the purpose of facilitating or promoting investment under the FVCI Regulations

Payment and Remittance	
Mode of Payment	— Consideration to be paid as inward remittance from abroad through banking channels or out of funds held in an FCA (Foreign Currency Account)/ SNRR (Special Non-Resident Rupee) — FCA and SNRR to be used only for FVCI transactions unless specifically permitted otherwise
Remittance of Sale/ Maturity Proceeds	The sale/ maturity proceeds (net of taxes) of the securities may be remitted outside India or may be credited to the FCA or SNRR of the FVCI

Terms Explained	
Permitted Sectors for FVCI	Following sectors are considered as permitted sectors for FVCI investments: — Biotechnology — IT related to hardware and software development — Nanotechnology — Seed research and development — Research and development of new chemical entities in pharmaceutical sector — Dairy industry — Poultry industry — Production of biofuels — Hotel-cum-convention centres with seating capacity of more than three thousand — Infrastructure sector (includes activities within the scope "infrastructure" under the External Commercial Borrowing guidelines/ policies)
Start-up	To qualify as a start-up, entity following conditions to be satisfied: — Entity (Private Limited Company or a registered partnership firm or LLP) incorporated/ registered in India within past five years — Annual turnover up to INR 25 million in any preceding financial year — Working towards innovation, development, deployment or improvement of products, processes or services or if it is a scalable business model with a high potential of employment generation or wealth creation — Satisfying conditions specified in FVCI Regulations
Equity-linked Instruments	Includes instruments convertible into equity shares or share warrants, preference shares, debentures compulsorily or optionally convertible into equity

5.5. Reporting Requirement

Report	Reporting To	Frequency	Responsibility	Remarks
Online filing of investment activity	SEBI	Quarterly	FVCI	Within seven working days from the end of the previous quarter

Reporting through online portal at https://siportal.sebi.gov.in/intermediary/index.html

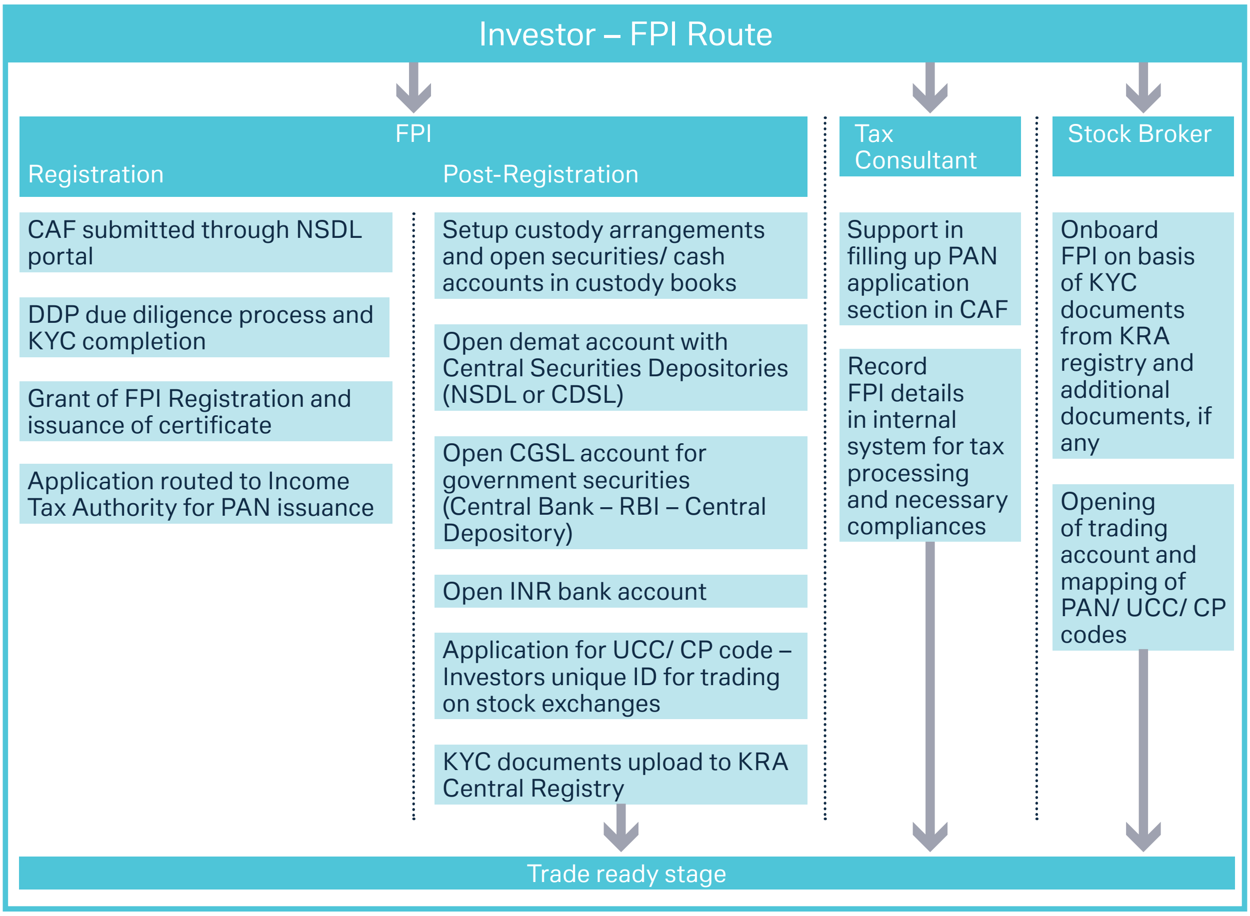
Reporting Format can be accessed at https://www.sebi.gov.in

6 Foreign Portfolio Investor (FPI) — Market Entry

6.1. Introduction

Foreign Portfolio Investor regime was introduced in 2014 by merging the erstwhile Foreign Institutional Investor (FII/ Sub-account) route and the Qualified Foreign Investor (QFI) route, bringing about important changes, focusing on efficiency in key market processes. In 2019, Securities and Exchange Board of India (SEBI) introduced transformational changes to improve ease of doing business, aimed to simplify and rationalise the existing regulatory framework for FPIs in terms of operational constraints and compliance requirements.

Foreign Portfolio Investors – Market Entry Flowchart



6.2. Designated Depository Participant (DDPs)

Designated Depository Participant (DDP) is an intermediary approved by SEBI to perform due diligence as per FPI Regulations and grant certificate of registration to FPIs on behalf of SEBI. DDPs should be a Custodian of securities registered with SEBI, an Authorised Dealer Category-I Bank authorised by RBI, and a Depository Participant. The FPI is required to enter into an agreement with the respective DDP, to act as Custodian of securities, before making investments under FPI Regulations.

6.3. FPI Eligibility Criteria

The entry norms listed below have been prescribed for entities interested in accessing the Indian capital market through the FPI route:

- The applicant is not a Resident Indian (RI)
- The applicant is not a Non-Resident Indian (NRI) or Overseas Citizen of India (OCI)
- NRI or OCI or RI can be constituents of FPIs, if they satisfy following conditions:
    - Contributions by NRI/ OCI/ RI including those of NRI/ OCI/ RI controlled Investment Manager should be:
        - Below 25% of the corpus of the FPI, from a single NRI/ OCI/ RI, and
        - In aggregate, below 50% of corpus of the FPI

      Explanation: Resident Indian individuals contribution permitted, if made through the Liberalised Remittance Scheme (LRS) approved by RBI, in global funds whose Indian exposure is less than 50%
    - Resident Indians (other than individuals) can be constituent of FPI provided below conditions are satisfied:
        - Such Resident Indian (other than individuals) is an eligible fund manager of the applicant, as per section 9A(4) of the Income Tax Act, 1961
        - FPI applicant is an Eligible Investment Fund as per section 9A(3) of Income Tax Act, 1961 which has been granted approval under the Income Tax Rules, 1962
    - Alternately, Resident Indians (other than individuals) can be constituent of FPI provided:
        - Applicant is an Alternative Investment Fund (AIF) set up in the International Financial Services Centre (IFSC) and regulated by the International Financial Services Centres Authority (IFSCA)
        - Resident Indian (other than individual) is the sponsor or manager of the applicant
        - Contribution of Resident Indian (other than individual) is up to:
            - Lower of 2.5% of the applicant's corpus or USD 0.75 million, in case of applicant being Cat-I or Cat-II AIF
            - Lower of 5% of the applicant's corpus or USD 1.5 million in case of applicant being Cat-III AIF
    - NRI/ OCI/ RI cannot be in control of FPI. However, FPIs can be controlled by investment manager which are owned/ controlled by NRI/ OCI/ RI, if the following conditions are satisfied:
        - The investment manager entity is appropriately regulated in its home jurisdiction and registers itself with SEBI as a non-investing FPI, or
        - The investment manager is an entity incorporated or setup under Indian laws and appropriately registered with SEBI, or
        - FPIs which are 'offshore funds' for which no-objection certificate has been provided by SEBI in terms of SEBI (Mutual Funds) Regulations, 1996
- The applicant is resident of a country whose securities market regulator is a signatory to International Organisation of Securities Commission's (IOSCOs), Multilateral Memorandum of Understanding (MMoU) (Appendix-A Signatories) or a signatory to Bilateral Memorandum of Understanding (MoU) with SEBI
- Government or Government-related entities from non-IOSCO jurisdictions are eligible for FPI registration, if they are resident in a country as may be approved by Government of India (GoI). For such entities, the application would be processed in consultation with SEBI and GoI

- The current list of permissible IOSCO jurisdictions can be accessed at: https://www.iosco.org/about/?subSection=mmou&subSection1=signatories
- List of countries that have Bilateral MOU with SEBI is available at: http://www.sebi.gov.in/cms/sebi_data/internationalAffr/IA_BilMoU.html
- In case the applicant is a bank, it should be a resident of a country whose central bank is a member of Bank for International Settlements (BIS). If a central bank is the applicant, the central bank need not be member of BIS, provided they have specific approval from Government of India
- List of countries whose central bank is a member of the BIS is available at: http://www.bis.org/about/member_cb.htm
- Banks regulated by the banking sector regulator in their home jurisdiction, whose central bank is not a member of BIS, are permitted to seek registration under Category-II
- FPI or its underlying investor contributing 25% or more of the corpus or identified on basis of control should not be in sanctions list notified by the United Nations Security Council (UNSC) or a jurisdiction mentioned in public statement of the Financial Action Task Force (FATF) as:
  - A jurisdiction having a strategic Anti-Money Laundering (AML) or Combating the Financing of Terrorism (CFT) deficiencies to which counter measures apply, or
  - A jurisdiction that has not made sufficient progress in addressing deficiencies or has not committed to an action plan developed with the FATF to address the deficiencies
  - List of countries that are listed in the public statements issued by FATF is available at: https://www.fatf-gafi.org/en/topics/high-risk-and-other-monitored-jurisdictions.html
- The applicant is a Fit and Proper Person based on the criteria specified in Schedule-II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008
- Any other criteria specified by SEBI from time to time

6.4. Categorisation

A foreign investor shall seek registration as an FPI under any one of the below two categories:

Sr. No.	Investor Type	Category
1	Government and Government-related investors such as central banks, sovereign wealth funds, international or multilateral organisations or agencies	I
2	Entities controlled or at least 75% directly or indirectly owned by such Government and Government-related investor	
3	Pension Funds and University Funds	
4	Appropriately regulated entities such as insurance or reinsurance entities, banks, asset management companies, investment managers, investment advisors, portfolio managers, brokers and swap dealers	
5	Entities from FATF# member countries Or from a jurisdiction as specified by Government of India by order or treaty/ agreement which are: — Appropriately regulated funds — Unregulated funds whose investment manager is appropriately regulated and registered as a Category-I FPI* — University related endowments of such universities that have been in existence for more than five years	
6	An entity whose investment manager is from an FATF member country and such an investment manager is registered as a Category-I FPI*	
7	Entities which are at least 75% owned, directly or indirectly, by another entity eligible under (3)-(5) above and such eligible entity* is from an FATF member country	

Sr. No.	Investor Type	Category
8	Appropriately regulated funds not eligible as Category-I FPI	II
9	Endowments and foundations	
10	Charitable organisations	
11	Corporate bodies	
12	Family offices	
13	Individuals	
14	Appropriately regulated entities investing on behalf of their client, as per conditions specified	
15	Unregulated funds in the form of limited partnership and trusts	

[#] 'From an FATF member country' means that the entity has its primary place of business in an FATF member country and, if regulated, is appropriately regulated in an FATF member country.

[*] The investment manager/ eligible entities are responsible for all the acts of commission or omission of such unregulated fund/ eligible FPI entity.

Notes to Categorisation Table:

— Appropriately regulated - An entity which is regulated by the securities market regulator or the banking regulator of home jurisdiction or otherwise, in the same capacity in which it proposes to make investments in India. An entity incorporated or established in an IFSC shall be deemed to be appropriately regulated

— Government agency - An entity in which more than 75% of ownership or control is held by the Government of a foreign country

— Investment manager - Shall include an entity performing the role of investment management or any equivalent role, including trustee

— Re-categorisation - An FPI desirous to be re-categorised from Category-II FPI to Category-I FPI, can send a request to DDP along with requisite information, documents, and payment of applicable fees for Category-I registration

6.5. FPI Registration Documentation and Fees Requirement

6.5.1. Common Application Form

Application procedure has been simplified for FPIs by introduction of single application namely, Common Application Form (CAF). CAF along with 'Annexure to CAF' serves as a comprehensive form for:

— Registration of FPIs with SEBI

— Allotment of Permanent Account Number (PAN) by the Income Tax Department, and

— Opening of Bank and Depository Accounts with Custodian including information related to Know Your Customer (KYC) for upload to KYC Registration Agency

FPIs to submit CAF and Annexure to CAF, to the DDP, along with supporting documents and applicable fees for SEBI registration and issuance of PAN. CAF can be accessed on the Depository website. Application for allotment of PAN (which would be a part of CAF) is forwarded to Income Tax Authority by the DDP through NSDL/ CDSL after FPI registration certificate is generated.

6.5.2. Registration Documentation

Documentation requirement for registration as FPI:
— Common Application Form
— Annexure to CAF
— KYC documentation and other registration documents (Refer Annexure 1 and 2)
As per SEBI's guidance – in terms of the PML Act and the PML Rules, the clients of reporting entities shall be natural persons or legal entities

If the FPI is not a legal entity, then FPI applicants need to identify the underlying legal entity and submit its necessary formation documents and KYC.

6.5.3. Registration Fee

The registration fee structure is summarised below:

Category	Entities	Validity of Registration
I	USD 2,500* + GST @18%	3 years
II	USD 250 + GST @18%	3 years

*The fee is exempt for international or multilateral agency such as World Bank and other institutions, established outside India for providing aid, which have been granted privileges and immunities from payment of duties and taxes by the Government of India.

Note: The DDPs receiving the applicable registration fees from the FPIs are responsible to transfer the funds to the designated bank account of SEBI on a monthly basis.

FPI applicants would also be required to pay the fees for PAN application, along with the registration fee, to the DDP at the time of application.

6.5.4. Timeline to Grant Registration

The DDP has 30 days from the receipt of completed documentation and fees and/ or additional information (on any queries), to either complete or reject the registration of FPI.

In the absence of any revert from the applicant, or non-receipt of complete documentation/ fees or information, subsequent to sending two communication/ reminders, DDPs may consider closing/ returning the application within a total span of 10 days.

6.5.5. Registration Validity and Renewal of Registration

The FPI registration is permanent until cancelled or surrendered. The FPI is required to pay fees once every three years from the date of initial registration to maintain continuance of registration. For continuance of the registration, FPIs need to file their request along with fees at least 15 days prior to current validity of its registration. FPI needs to have a valid registration as long as it is holding securities or derivatives position in India.

If fees for continuance are not paid, FPI registration shall cease to be valid after the date, up to which the last registration fees were duly paid by the FPI. No application for continuance is permitted after expiry of registration. FPI will have to make a fresh application after surrender of its earlier FPI registration. FPI needs to ensure that all holdings are liquidated prior to expiry of the registration.

If DDP has received registration fee prior to validity date, and due diligence including KYC review is not complete by the validity date, the DDP may proceed with continuance of registration. However, further purchases will be restricted till due diligence is completed and intimation of continuance is provided by DDP.

6.5.6. Multi Managed FPI Entities

Where an entity engages multiple investment managers (MIM structure), such FPI entity is permitted to obtain multiple registrations with SEBI for each investment manager.

— Such FPIs can appoint different local Custodians/ DDPs for each registration
— Investments made under such multiple registrations will be clubbed for monitoring of investment limit
— Free of cost asset transfers between such Multi Managed FPIs are permitted if they have the same PAN
— Entity that has already furnished registration details to a DDP at the time of its registration as FPI will not be required to provide the registration details for each new FPI registration under the MIM structure unless there has been any change in the registration details provided to the DDP earlier
— FPIs need to provide the name of its Investment Manager at the time of request for new registration along with the confirmation that information provided in earlier application is updated and valid
— FPIs registered under MIM structure shall have the same PAN

6.6. Requirement of Permanent Account Number (PAN)

Every entity registered as an FPI in India is required to obtain tax registration number (PAN), prior to commencing its investments in the Indian market. PAN is also a mandatory requirement for opening of cash and depository accounts.

With the introduction of the CAF, the registration process will be followed with the issuance of PAN by the Income Tax authorities. The information and documents submitted at the time of registration are used for the purpose of issuance of PAN.

Custodians are required to verify the PAN details of the FPI on the Income Tax Department website against the PAN card issued. Central Board of Direct Taxes (CBDT) has introduced E-PAN card, which is considered equivalent to a physical PAN card. The E-PAN is shared with registered email-ID mentioned at the time of application.

6.7. Other Applicable Norms

6.7.1. Name Change

In case the FPI has undergone a change in name, the request for updation/ incorporation of new name should be submitted by the FPI to the DDP accompanied by documents certifying the name change.

The documents relevant for name change are:
— Information available on the website of the home regulator
— Certified copy of documents from home regulator evidencing the name change
— Certified copy of documents from Registrar of Company (or equivalent authority) (wherever applicable) issued, thereby evidencing the name change
— Where the above is not applicable, a Board Resolution, or equivalent, authorising the name change
— An undertaking by the FPI stating that it is a mere name change and does not involve change in beneficial ownership, category or structure

Post receipt of the original request letter and supporting documents evidencing the name change, the DDP will affect the change in the regulatory system and issue a letter along with fresh registration certificate to such FPI.

FPIs undergoing a name change also have to obtain PAN card reflecting the new name. The PAN card in the new name will be required to complete the KYC on the KRA and amend the name on the depository and banking records.

6.7.2. Home Jurisdiction Compliance – Change in Status

— If a jurisdiction, which was compliant with eligibility criteria of FPI Regulations at the time of grant of registration to FPI, becomes non-compliant i.e. ceases to be member of IOSCO/ BIS or the concerned jurisdiction is listed in FATF public statement as “high risk” and “non-cooperative” jurisdiction, then concerned DDP shall not allow the FPIs belonging to such jurisdictions to make fresh purchases till the time the jurisdiction is compliant with eligibility criteria of FPI Regulations. However, the FPI shall be allowed to continue to hold the securities already purchased by it or sell the same in the market until the expiry of its existing registration
— The DDP shall inform SEBI of FPIs from such non-compliant jurisdiction

6.7.3. Change in Material Information

— Under the regulations, if there is any change in material information previously furnished by the FPI to the DDP and/ or SEBI, which has a bearing on the certificate granted, it shall inform the DDP of the change in such information within seven working days

Material change may include the following:
  — Any direct or indirect change in its structure or ownership or control
  — Change in name, regulatory status
  — Merger, demerger, or restructuring
  — Change in category/ sub-category/ structure/ jurisdiction/ name of FPI or beneficial ownership
— The DDP shall examine all such material changes and re-assess the eligibility of the FPI
— Where there is a delay of more than six months in intimation of material change by the FPI to the DDP, the DDP shall, inform all such cases to SEBI for appropriate action, if any, within two working days

6.7.4. Change in DDP

In case, the FPI or its Global Custodian (GC) wishes to change the local Custodian/ DDP, the request for such change can be:
— Submitted by the FPI or its GC, provided the GC has been explicitly authorised to take such steps by the FPI entity. In case of the request for change being received from a GC, the new Transferee Custodian/ DDP should inform the Compliance Officer of the FPI regarding the change in their local Custodian/ DDP
— Approved by the new Transferee Custodian/ DDP on receipt of the no objection letter from the existing Transferee Custodian/ DDP
— New Transferee Custodian/ DDP may rely on the due diligence carried out by the existing Transferee Custodian/ DDP
— The new Transferee Custodian/ DDP is required to carry out adequate due diligence at the time when the FPI applies for continuance of its registration on an on-going basis
— FPIs to ensure the change of DDP/ Custodian is effected within 30 days of receipt of such approval
— Joint confirmation letter duly signed by the new as well outgoing Custodian/ DDP to be submitted to SEBI post-completion

6.7.5. Appropriately Regulated Entities Permitted to Invest on Behalf of Clients

Appropriately regulated entities such as those listed below will be permitted to undertake investments on behalf of their clients as Category-II FPI, in addition to undertaking proprietary investment by taking separate registrations as Category-I FPI. These include:

- Banks including private banks and merchant banks
- Asset Management Companies, Investment Managers, Investment Advisors, Portfolio Managers
- Insurance and reinsurance entities
- Broker dealers and swap dealers

Conditions under which the Category-II registration would be granted:

- Clients of FPI can only be individuals and family offices
- Client of FPI is eligible for registration as FPI and not be dealing on behalf of third-party
- If the FPI is from a FATF member country, then the KYC of the clients of such FPI should be done by the FPI as per requirements of the home jurisdiction of the FPI
- FPIs from non-FATF member countries should perform KYC of its clients as per Indian KYC requirements
- FPI has to provide complete investor details of its clients on quarterly basis to the DDP in specified format
- Investments made by each client, either directly (as FPI) and/ or through its investor group shall be clubbed with the investments made by such clients (holding more than 50% in the FPI) through the above mentioned appropriately regulated FPIs

Format for Quarterly Reporting

Name of FPI:
FPI Registration Number:
We herewith submit the investor details of our clients

Details of Clients

Sr. No.	Name	Country	Address	Type (Individual/ Family Office)

6.7.6. Surrender of Registration

An FPI intending to surrender its certificate of registration, may make an application to the DDP which should include the following details:

- Confirmation of no dues/ fees pending towards SEBI
- Confirmation on nil Cash, Securities and Derivatives position in India. In the event of any outstanding holdings/ position, the FPIs need to divest prior to surrender of registration
- Confirmation of no actions/ proceedings pending against the FPI initiated by SEBI or any government authority in India
- Details of all name changes undergone by the FPI since being registered with SEBI including the period of registration as Foreign Institutional Investors (FIIs)/ sub-account

6.7.7. Addition/ Deletion of Share Class

Any addition of new sub-fund or share class or equivalent structure, where segregated portfolio is maintained, will require Beneficial Owner (BO) information for the new share class to be submitted to DDP prior to investing in India through such new fund/ sub-fund/ share class/ equivalent structure.

Deletion of sub-fund or share class or equivalent structure which invest into India should be intimated forthwith to the DDP.

6.7.8. Exemption from Strict Enforcement of Provisions

SEBI has the power to exempt FPIs from strict enforcement of provisions of FPI Regulations:
- For furthering innovation relating to testing new products, processes, services, business models, in live environment of regulatory sandbox – only up to 12 months
- If SEBI is satisfied that:
  - The non-compliance is caused due to factors beyond the control of the entity
  - The requirement is procedural or technical in nature

The application should be accompanied by a non-refundable fee of USD 1,000 + GST @18%

6.8. General Obligations and Responsibilities of FPIs

The FPI shall:
- Comply with the provisions of the FPI Regulations, as far as they may apply, including circulars issued thereunder and any other terms and conditions specified by SEBI from time to time
- Forthwith inform SEBI and the DDP in writing, if any information or particulars previously submitted to SEBI or DDP are found to be false or misleading, in any material respect
- Forthwith inform SEBI and DDP in writing, if there is any material change in the information including any direct or indirect change in its structure or ownership or control
- As and when required by SEBI or any other government agency in India, submit any information, record or documents in relation to its activities as an FPI
- Forthwith inform SEBI and the DDP, in case of any penalty, pending litigations or proceedings, findings of inspections or investigations for which action may have been taken or is in the process of being taken by an overseas regulator against it
- Obtain a PAN from the Income Tax Department (PAN is required to be obtained by all FPIs including non-investing FPIs)
- In relation to its activities as FPI, at all times, subject itself to the extant Indian laws, rules, regulations and circulars issued from time to time and provide an express undertaking to this effect to the DDP
- Provide any additional information or documents including beneficiary ownership details of their clients as may be required by the DDP or the SEBI or any other enforcement agency to ensure compliance with the Prevention of Money Laundering Act, 2002 and the rules and regulations specified thereunder, the Financial Action Task Force standards and circulars issued from time to time by SEBI
- Comply with Fit and Proper Person criteria specified in SEBI (Intermediaries) Regulations, 2008
- Undertake necessary KYC on its shareholders/ investors in accordance with the rules applicable to it, in the jurisdiction where it is organised
- Ensure that securities held by FPIs are free from all encumbrances

6.9. Code of Conduct

- An FPI shall, at all times, abide by the code of conduct as specified in Third Schedule of FPI Regulations
- An FPI and its key personnel shall observe high standards of integrity, fairness and professionalism in all dealings in the Indian securities market with intermediaries, regulatory and other government authorities
- An FPI shall, at all times, render high standards of service, exercise due diligence and independent professional judgment
- An FPI shall ensure and maintain confidentiality in respect of trades done on its own behalf and/ or on behalf of its clients

- An FPI shall ensure the following:
  - Clear segregation of its own money/ securities and its client's money/ securities
  - Arms-length relationship between its business of fund management/ investment and its other business
- An FPI shall maintain an appropriate level of knowledge and competency and abide by the provisions of the SEBI Act, regulations made thereunder and the circulars and guidelines, which may be applicable and relevant to the activities carried on by it. Every FPI shall also comply with award of the Ombudsman and decision of the Board under SEBI (Ombudsman) Regulations, 2003
- An FPI shall not make any untrue statement or suppress any material fact in any documents, reports or information to be furnished to the DDP and/ or SEBI
- An FPI shall ensure that good corporate policies and corporate governance are observed by it
- An FPI shall ensure that it does not engage in fraudulent and manipulative transactions in the securities listed in any stock exchange in India
- An FPI or any of its directors or managers shall not, either through its/ his own account or through any associate or family members, relatives or friends indulge in any insider trading
- An FPI shall not be a party to or instrumental for:
  - Creation of false market in securities listed or proposed to be listed in any stock exchange in India
  - Price rigging or manipulation of prices of securities listed or proposed to be listed in any stock exchange in India
  - Passing of price sensitive information to any person or intermediary in the securities market

6.10. Account Structure for Foreign Portfolio Investors

India is a segregated market and hence accounts need to be opened at each FPI level.
Omnibus structures are not permitted.

Investor Category	Depository/ Securities Account	Cash Account
FPIs	Segregated depository and securities account	Segregated cash account

6.11. Risk Based Disclosure

For greater investor protection, and for fostering greater trust and transparency in the Indian securities market ecosystem, based on feedback from industry consultation, SEBI has introduced enhanced disclosure requirements for FPIs under certain conditions. The proposed framework seeks to obtain detailed ownership details in cases where:

- FPI is holding more than 50% of their Indian equity assets under management (AUM) in a single Indian corporate group
- FPI holding more than INR 250 billion of equity AUM in the Indian markets whether individually, or along with their investor group (in terms of Regulation 22(3) of the FPI Regulations)

Exemptions provided to certain FPIs like Government and Government-related investors, Public Retail Funds, etc. from mandatory granular disclosures.

These provisions will come into effect from November 1, 2023. A detailed Standard Operation Procedure (SOP) specifying the format for providing additional information/ documents, and modalities for compliance will be published in due course.

7 Comparative Table

7.1 Effects of Categorisation

The table below highlights the differences in the categorisation model applicable for FPIs.

Sr. No.	Details	FPI Category-I	FPI Category-II (Other than – Individuals, Family Offices and Corporate Bodies)	FPI Category-II (Individuals, Family Offices and Corporate Bodies)
1	Fees (Registration/ Renewal)	USD 2,950*	USD 295	USD 295
2	KYC	Simplified documentation Less documents required compared to Category-II FPIs	Enhanced KYC requirements	Enhanced KYC requirements
3	Qualified Institutional Buyer (QIB)	Yes	Yes	No QIB status
4	Margins on Equity Trades	Margins not applicable	Margins not applicable	Upfront margins apply on T-Day
*Exemption granted to certain entities: International or multilateral agency such as World Bank and other institutions established outside India for providing aid which have been granted privileges and immunities from payment of tax and duties by the Government of India.				

Sr. No.	Details	FPI Category-I	FPI Category-II (Other than – Individuals, Family Offices and Corporate Bodies)	FPI Category-II (Individuals, Family Offices and Corporate Bodies)
5	Issuance and Subscription of Offshore Derivative Instruments (ODIs)	Permitted FPIs are prohibited from issuing ODIs referencing derivatives Exception: ODI issuing FPIs can participate in the following through a separate FPI registration: — Exchange-traded derivative positions for hedging of equity shares held in India on one-to-one basis — An ODI issuing FPI may hedge the ODIs referencing equity shares with derivative positions in Indian stock exchanges subject to position limits of: I. 5% of MWPL for single stock derivatives II. Higher of INR 1 billion or 5% of open interest for stock index derivatives	Not permitted	Not permitted
6	Position Limits on Currency Derivatives Segment	A higher position limit permitted Gross open position limited to higher of: — 15% of total open interest, or — maximum limit specified for each currency pair	A higher position limit permitted Gross open position limited to higher of: — 15% of total open interest, or — maximum limit specified for each currency pair	Permitted a lower position limit Gross open position limited to higher of: — 6% of total open interest, or — maximum limit specified for each currency pair
7	Equity Derivatives – Index Futures and Options#	Position limit – higher of INR 5 billion or 15% of the total open interest in the index futures market in the respective contracts**	Position limit – higher of INR 3 billion or 10% of the total open interest in the market in the respective contracts	Position limit – higher of INR 1 billion or 5% of the total open interest in the market in the respective contracts

Sr. No.	Details	FPI Category-I	FPI Category-II (Other than – Individuals, Family Offices and Corporate Bodies)	FPI Category-II (Individuals, Family Offices and Corporate Bodies)
8	Equity Derivatives – Individual securities (Single Stock)	Position limit – 20% of the applicable Market Wide Position Limit (MWPL)	Position limit – 10% of the applicable MWPL	Position limit – 5% of the applicable MWPL
9	Interest Rate Futures[&]	Trading member-level position limit 8-11 years maturity bucket – higher of 10% of open interest or INR 12 billion Across all contracts within other maturity bucket – higher of 10% of open interest or INR 6 billion	Trading member-level position limit 8-11 years maturity bucket – higher of 10% of open interest or INR 12 billion Across all contracts within other maturity bucket – higher of 10% of open interest or INR 6 billion	Client-level position limit 8-11 years maturity bucket – higher of 3% of open interest or INR 4 billion Across all contracts within other maturity bucket – higher of 3% of open interest or INR 2 billion
10	Commodity Derivatives[##]	Client-level – at par with those currently applicable for Mutual Fund schemes	Client-level – at par with those currently applicable for Mutual Fund schemes	A position limit of 20% of the client-level position limit in a particular commodity derivatives contract – similar to the position limits prescribed for currency derivatives

[#] These limits shall be separately applicable for equity index futures and equity index options as per the current mechanism for all categories of FPIs.

[**] Additional limits for index derivatives applicable to Category-I FPIs are as follows:
— Short positions in index derivatives (short futures, short calls and long puts) not exceeding (in notional value) the Category-I FPI's holding of stocks
— Long positions in index derivatives (long futures, long calls and short puts) not exceeding (in notional value) the Category-I FPI's holding of cash, government securities, T-Bills and similar instruments

[&]A separate limit of INR 50 billion is permitted to FPIs for taking long position in Interest Rate Derivatives.

[##]Operational guidelines for participation in commodity derivatives by FPIs, are awaited.

8 Know Your Client (KYC) Framework

The introduction of the categorisation model facilitated the adoption of SEBI and RBI prescribed risk-based KYC, wherein, the documentation requirement varies according to the category of the FPI. The applicant needs to fill in the standard KYC details in the CAF issued by SEBI and provide the required supporting documents as mentioned in the list below according to the applicable category.. Once the registration process is completed by the DDP, the Custodian/ DDP will upload the KYC documents on the KRA portal for other market intermediaries to access and complete their KYC requirements. Apart from the KYC requirement stated below, each intermediary might have additional documentation requirements for conducting enhanced due diligence as per their internal policies.

8.1. KYC for FPI

Document Type	KYC Documentation Details	Category-I	Category-II
Applicant Level	Common Application Form	Required	Required
	Constitutive Docs (MoA, COI, Prospectus etc.)	Required	Required
	Proof of Address[1]	Required	Required
	PAN	Required	Required
	Board Resolution[2]	Not Required	Required
	FATCA/ CRS Form	Required	Required
Senior Management	List of Directors	As part of CAF	As part of CAF
Authorised Signatories	List and Signatures[2]	Required	Required
Ultimate Beneficial Owner (UBO)	List of UBO including the details of Intermediate BO[3]	Required (Part of CAF)	Required (Part of CAF)
	Proof of Identity	Not Required	Required

[1] Power of Attorney (POA) having address provided to Custodian is accepted as address proof.
[2] POA granted to Global custodian/ local custodian is accepted in lieu of Board Resolution (BR). BR and the Authorised Signatory List (ASL) are not required if SWIFT is used as a medium of instruction.
[3] UBO is not required for Government and related entities. Government issued ID number of UBO is required for Category-II.

The above mentioned KYC requirement is based on the notification from SEBI. RBI notification of the KYC requirements for FPI is awaited as on the date of publication of book. The above requirements would undergo modification once the RBI notifies the KYC requirements.

Notes to the Table:

- FPIs to provide an undertaking that upon demand by Regulators/ Law Enforcement Agencies the exempted/ relevant document/ s would be submitted to the intermediary
- For FPI Category-I coming from high-risk jurisdictions (other than those registered under Regulation 5(a)(i) – i.e., Government and Government related investors), the KYC documentation equivalent to FPI Category-II shall apply
- FPI Category-II registered under Regulation 5(b)(i) i.e., appropriately regulated funds not eligible as Category-I, shall provide KYC documentation equivalent to FPI Category-I. However, BO details need to be provided in specified format
- For Non-PAN related KYC documents (including KYC form), a local custodian can rely on KYC carried out by another entity of the same financial group (like a Global Custodian or Investment Manager) which is regulated and coming from an FATF member country, where KYC is carried out as per their home jurisdiction standards. Where this reliance is placed, such entity/ FPI shall provide an undertaking to the effect that the relevant KYC documents, would be submitted to the DDP/ Local Custodian when required by regulator/ law enforcement agency/ government departments/ tax authority, etc. However, the custodian/ local intermediary will be required to collect constitution documents and BO related declarations (wherever applicable) of the FPI and upload the evidence of KYC reliance on KRA
- Prospectus and Information Memorandum are acceptable in lieu of an official constitutional document
- Valid FATCA/ CRS documentations are required to be submitted at the time of account opening
- e-PAN issued by CBDT to be provided. The same would be verified by the Intermediary from the Income Tax website
- PAN is not mandatory for UN entities/ multilateral agencies exempt from paying taxes/ filing tax returns in India
- Board Resolution and the Authorised Signatory List (ASL) is also not required if there is no exchange of physically signed documents/ agreements between the local broker and the FPI or its authorised representative being an Investment Manager regulated in FATF member country
- Existing risk-based KYC requirement applicable to FPIs should also be made applicable to securities account of FDI, FVCI/ DR and FCCB accounts/ entities if the same entities are registered as FPIs

Identification and Verification of Ultimate Beneficial Ownership

- Beneficial Owners (BOs) are the natural persons who ultimately own or control an FPI and should be identified in accordance with Rule 9 of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005 (PMLA Rules)
- BOs of FPIs having General Partner/ Limited Partnership structure shall be identified on ownership or entitlement basis, and control basis
- Cat-I FPI registered under Regulation 5(a)(i) are exempt from providing BO details
- The materiality threshold for identification of BOs of FPIs on controlling ownership interest (or ownership/ entitlement) basis shall be same as prescribed in PMLA Rules:
  - 10% in case of Company and Trust
  - 15% in case of Partnership Firm, and unincorporated Association of Persons
- For FPIs coming from “high-risk jurisdictions”, a lower materiality threshold of 10% for identification of BO may be applied and ensure KYC documentation as applicable for Category-II FPIs
- The materiality threshold to identify the BO should be first applied at the level of FPI. Then look through principle to be applied to identify the BO of the material shareholder/ owner entity
  - Only BOs with holdings equal and above the materiality thresholds in the FPI need to be identified through the look-through principle
  - For intermediate material shareholder/ owner entities, name, country and percentage holding shall also be disclosed as per Annexure E

- No further identification and verification of BO required if intermediate shareholder/ owner entity is eligible for registration as Category-I FPI under Regulation 5(a)(i)
- If no material shareholder/ owner entity is identified in the FPI using the materiality threshold, BO would be the Senior Managing Official (SMO)
- In case ownership/ control of the FPI is through a legal arrangement i.e., through legal entities, then the natural person who owns or controls the legal entity at the end of this chain of legal arrangement needs to be identified as the BO of the FPI. In case no natural person is identified as BO on the basis of ownership or control after following the above procedure, the SMO(s) of the legal entity at the end of the chain of the legal arrangement need(s) to be identified as the BO(s) of the FPI

- BO should not be a person mentioned in United Nations Security Council's Sanctions List or from jurisdiction, which is identified in the public statement of Financial Action Task Force (FATF) as:
  - A jurisdiction having a strategic Anti-Money Laundering or Combating the Financing of Terrorism deficiencies to which counter measures apply
  - A jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with the FATF to address the deficiencies
- FPIs are required to maintain list of BOs as identified by above guidelines and provide in specified format given below

Format for Providing Data Points of UBO

Sr. No.	Name and Address of the BO (Natural Person)	Date of Birth	Tax Residency Jurisdiction	Nationality	Whether acting alone or together through one or more natural persons as group, with their name and address	BO Group's % Shareholding/ Capital/ Profit ownership in the FPI	Tax Residency Number/ Social Security Number/ Passport Number of BO
1							
2							

Format for Disclosing Intermediate Material Shareholder/ Owner (Annexure E)

On Ownership Basis

Information of Intermediate Material Shareholder/ Owner – on Ownership Basis Name	Direct/ Indirect Stake	Names of the Entities through which the stake in the FPI is held indirectly	Percentage stake held in the Applicant	Country/ Nationality	Individual/ Non-Individual

On Control Basis

Name	Method of Control	% Control on the Applicant, (if applicable)	Country/ Nationality	Individual/ Non-Individual

8.2. Attestation of Documents

KYC documents can be attested by the following entities:

- Notary Public, Manager of a Scheduled Commercial/ Co-operative Bank or Multinational Foreign Banks (Name, Designation and Seal should be affixed on the copy)
- In case of Non-Resident Indians (NRIs), authorised officials of overseas branches of Scheduled Commercial Banks registered in India, Notary Public, Court Magistrate, Judge, Indian Embassy/ Consulate General in the country where the client resides are permitted to attest the documents
- Global Custodian banks

8.3. KYC for Foreign Direct Investment and Foreign Venture Capital Investor

Particulars	Document	Corporate	Partnership Firm	Trust
Entity Level	Constitutive Docs	Required - Copies of the Memorandum and Articles of Association and Certificate of Incorporation	Required - Copy of Partnership Deed and Certificate of Registration (If registered)	Copy of Trust Deed and Certificate of Registration for Registered Trusts
	Proof of Address	Required	Required	Required
	PAN Card	Required	Required	Required
	Financials	Copy of the balance sheets for the last two financial years (to be submitted every year)	Copy of the balance sheets for the last two financial years (to be submitted every year)	Copy of the balance sheets for the last two financial years (to be submitted every year)
	SEBI Registration Certificate	SEBI registration required only for FVCI investors		
	Board/ Partner/ Member Resolution or any other equivalent document permitting investments in the securities market	Required	Required	Required
	FATCA/ CRS Form	Required	Required	Required
	KYC Form – Form 11	Required	Required	Required
Senior Management (Whole Time Directors/ Partners/ Trustees etc.)	List (As a part of KYC Form)	Required	Required	Required
	Proof of Identity	Required	Required	Required
	Proof of Address	Required	Required	Required
	Photographs	Required	Required	Required

Particulars	Document	Corporate	Partnership Firm	Trust
Authorised Signatories	List and Signatures	Required	Required	Required
	Proof of Identity	Required	Required	Required
	Proof of Address	Required	Required	Required
	Photographs	Required	Required	Required
Ultimate Beneficial Owner (UBO)/ Shareholding Pattern	List	Required – until the Ultimate Beneficial Owner	Required – until the Ultimate Beneficial Owner	Required – until the Ultimate Beneficial Owner
	Proof of Identity	Required if UBO with substantial percentage identified/ SMO	Required if UBO with substantial percentage identified/ SMO	Required if UBO with substantial percentage identified/ SMO
	Proof of Address	Required	Required	Required

8.4. Mandatory Attributes (for All Categories)

The Depositories, NSDL and CDSL, in consultation with SEBI have made six KYC attributes mandatory to open new demat accounts from August 01, 2021 for all categories of clients, including FPIs, FVCI and FDI. The details would be required from all existing account holders too. The following are the six KYC attributes:

	Institutional Clients/ Investors	Non-institutional Clients/ Investors
Name	Mandatory	
PAN	Mandatory	
Address	Mandatory	
Valid Phone number	Mandatory (Mobile number OR Office Landline number)	Mandatory (Mobile number)
Valid Email-ID	Mandatory	
Income Range	Optional	Mandatory

8.5. Periodic KYC

The KYC details once updated is also subject to a periodic review process as prescribed by the regulators from time to time. The KYC review (including change in BOs/ their holdings) should be done based on risk categorisation of FPIs.

Jurisdiction	FPI Category-I	FPI Category-II
High-risk	— Registered under Regulation 5(a)(i), during continuance of registration i.e., every three years — Others - Annually	Annually
Non High-risk	During continuance of registration i.e., every three years	— Regulated entities - during continuance of registration i.e., every three years — Others - Annually

— In the event of non-submission of KYC documents, on the applicable due date for KYC review, DDP/ local custodian/ intermediary may send a notice to FPI advising expeditious completion of KYC requirement and under no circumstances permit further purchase transactions to such FPIs after the expiry of KYC review due date
— Self-certification of supporting documents is no longer required. Clients are required to submit:
  — Originals along with the copies of all documents for verification, or
  — Copies which are properly attested by entities authorised for attesting the documents

8.6. KYC Registration Agency (KRA)

8.6.1. Upload of the KYC Information

— Clients will have to comply with the KYC requirements as prescribed by SEBI and their KYC data must be uploaded to the KRA system
— Custodians or Intermediaries like brokers with whom the client has contractual arrangement, have to upload all updated KYC information on the KRA portal on behalf of their clients
— The upload of documents needs to be completed within 10 days from the date of account opening or receipt of modification
— In case of non-submission of KYC documents, transactions will not be permitted for such investors
— Reliance on information available from reliable public sources (e.g., websites of Regulators, Exchanges, Self-Regulatory Organisations, Registrars) can be accepted; however, the copies of such documents must be sent to the Eligible Foreign Investor/ FPI to confirm the validity of the information; these documents should be attested by an authorised official of the intermediary specifying the (a) source of the document and (b) signature against the same and attested as mentioned in 8.2.

8.6.2. Consent Mechanism (Applicable Only for FPIs)

To protect personal information provided of Senior Managing Official (SMO), Beneficial Owners, and signatories of FPIs, KRAs have introduced Consent-Based Mechanism (CBM).

— There will be a download consent flag which would record whether consent is required for download of KYC information by intermediaries, and the flag is by default set to 'Yes'
— FPIs can have it set to 'No', to allow download of KYC information without consent. A notification would be sent to the FPI if any intermediary downloads their KYC information
— FPIs would be required to provide name and contact details of Authorised Representatives (minimum one, maximum three)
— If the consent flag is marked as "Yes", then a mail is sent to Authorised Representatives of FPIs requesting consent, whenever any intermediary tries to download the KYC information
— On receipt of consent from Authorised Representative, KRA will provide access to the specific intermediary to download of KYC details and supporting documents
— When KYC details of client are modified, KRA system will send download of KYC information to all intermediaries who have either uploaded/ downloaded/ modified KYC information of the specified FPI entity
— Whenever the relationship between an FPI and the intermediary is closed, the respective FPI or intermediary will inform KRAs to delink KYC

8.7. Centralised KYC Registry (CKYCR)

CKYC is a 14-digit number linked with the ID proof. Customer's data is safely stored in an electronic format.

- KYC data of Listed Entity (LE) would be uploaded to CKYCR, pertaining to accounts opened on or after April 01, 2021
- For accounts opened prior to April 01, 2021 the information would be updated at the time of periodic updating, or at an earlier time when the updated KYC information is obtained/ received from the customer. During periodic updating, the customers' KYC details would be migrated to current Customer Due Diligence (CDD) standards
- Regulated Entity (RE) would communicate to the customer their KYC identifier, once it is generated by the CKYCR
- A customer needs to submit the KYC identifier and consent to download records, to any RE with which it seeks to establish account-based relationship. Such RE would retrieve the online KYC records and the customer need not submit the same KYC information/ documents, unless:
    - There is a change in customer information in existing CKYCR
    - Current address of the customer is required to be verified
    - RE considers it necessary in order to verify the identity or address of the customer, or to perform enhanced due diligence or to build an appropriate risk profile of the client

CKYCR requirements are exempted for FPIs. It is applicable for foreign entities opening accounts under FVCI or any other category under FEMA.

9 Investment Guidelines and Ownership Limits

9.1. Overview – Investing in India

FPIs are permitted to invest in the following instruments.

Equity	Fixed Income Market*	Derivative	Hybrid
— Equity shares — Preference shares — Warrants — Unit schemes/ ETF floated by domestic Mutual Funds investing more than 50% in equity — Units of Collective Investment Schemes — Indian Depository Receipts	— Dated Government Securities (G-Secs), State Development Loans (SDLs) and Treasury Bills (T-Bills)* — Listed/ To-be listed* and Unlisted* Corporate Bonds and Debentures issued by a body corporate — Non-Convertible Debentures (NCDs)/ Bonds under default — INR-denominated Credit Enhanced Bonds — Security Receipts issued by Asset Reconstruction Companies — Debt Instruments issued by Banks eligible for inclusion in regulatory capital (Tier-I and Upper Tier-II instruments of banks) — Commercial Papers* — Municipal Bonds — Unit schemes/ ETF floated by domestic Mutual Funds investing 50% or less in equity — Debt securities issued by InvITs & REITs	— Index Futures and Options — Stock Futures and Options — Interest Rate Futures — Currency Derivatives — Commodity Derivatives*	— Units of Real Estate Investment Trusts (REITs) — Units of Infrastructure Investment Trusts (InvITs) — Units issued by Category-III Alternative Investment Funds

*Restrictions Apply (Explained in detail in later sections)

9.2. Investment Guidelines – Equity

9.2.1. Overview

- FPI investments in equity shares of a company are governed by various limits like individual investment limit (including FPI belonging to same investor group) as well as sectoral caps as defined in the FDI policy and FEMA
- FPI investments are permitted only in listed or 'to-be listed' companies. Investments in unlisted companies purchased under the erstwhile FII route (prior to SEBI FPI Regulations, 2014) and still held by FPI after an Initial Public Offer (IPO)/ listing of the issuer company will be subject to a lock-in for the same period as applicable to a FDI investor holding such shares, under the existing FDI policy of the Government
- All secondary market transactions in equity have to be executed through a registered stockbroker on the floor of the stock exchange

9.2.2. Primary Market Investments in Equity

- Initial Public Offers (IPO) and Follow-on Public Offer (FPO): IPO is the first-time offer of equity shares, by the issuer company, to the public. FPO is an additional or follow-on offer of equity shares, to the public, by a listed company. Key features of IPO and FPO are:
  - Issuance is either through a book-building process or fixed price process
  - Open to FPIs and Domestic Investors with specific portion allocated to Qualified Institutional Buyers (QIBs)
  - 100% margin payment to be blocked through the ASBA* route
  - Minimum price band of at least 105% of the floor price to be applicable
  - In the event of non-receipt of minimum subscription (90% of issue), all the application money should be refunded within four days of issue closure
  - FPIs are permitted to participate in the IPO through their custodian/ broker and can apply under:
    - QIB – Category-I and Category-II FPIs (except Individuals, Corporates and Family Offices)
    - Non-institutional Category-II FPI (Individuals, Corporates and Family Offices)
    - Bids once submitted cannot be withdrawn post the issue closing date
    - Upward revision of bids permitted prior to bid closing date. The incremental margin amount must be paid and blocked under ASBA* at the time of revised bid submission
    - Time period for allotment and listing of public issues is six** working days from the issue closure date

  **The time period of six working days is being reduced to three working days and implemented in two phases:
  September 1, 2023 - voluntary for all public issues opening on or after this date and
  December 1, 2023 - mandatory for all public issues opening on or after this date

- Anchor Investor: A QIB applying for below value:
    - Minimum value of INR 100 million in a public issue on the main board through book-building process
    - Minimum value of INR 20 million for IPO by SME (Chapter IX of ICDR Regulations)
    - The bidding period is open for one day before the issue opening date
    - Lock-in: 50% of the portion allotted to anchor investor would be locked in for 30 days and the balance 50% of portion allotted the lock-in would be for 90 days, from the listing date

- Preferential Issue/ Private Placement: Shares issued to specific category of institutional investors like mutual funds, insurance companies, FPIs, etc.

- Qualified Institutions Placement (QIP): Mode for listed companies to raise funds from QIBs. All FPIs except Individuals, Corporates and Family Offices can participate through this route

— Rights Issue: The rights issue is open for a minimum of seven days to a maximum of 30 days. The investor can choose to accept the offer or let the offer lapse. All rights entitlements to be credited to the demat account of the holder, including those holding shares in physical form prior to the rights issue opening date. Trading in rights entitlements on stock exchange platform, closes three working days prior to the closure of the Rights Issue

— Offer for Sale (OFS): A separate window provided by Exchange for facilitating sale of shares held by the promoters/ promoter group entities of companies or other shareholders having significant shareholding. OFS is open for all investors including FPIs

Restriction on Multiple Bids

- An Applicant should submit only one application form. Multiple application forms by a single applicant is not permitted. However, an applicant may make multiple bids in the same application form, provided it is permitted by the issuer
- Multiple application forms would be identified on basis of PAN and such multiple application forms would be liable for rejection
- Multiple applications submitted by the following category of investors with same PAN but different beneficiary account numbers, i.e., client IDs and DP IDs shall not be treated as multiple bids:
    - Mutual Funds
    - Bids by Anchor Investors under the Anchor Investor Portion and the QIB Category
    - FPIs meeting the below criteria:
        - FPIs which utilise the multi-investment manager structure
        - Offshore Derivative Instruments (ODI) which have obtained separate FPI registrations for ODI and proprietary derivative investments
        - Sub-funds or separate class of investors with segregated portfolio who obtain separate FPI registration
        - FPI registrations granted at investment strategy level/ sub-fund level where a Collective Investment Scheme (CIS) or fund has multiple investment strategies/ sub-funds with identifiable differences and managed by a single investment manager or having multiple share classes
        - Multiple branches in different jurisdictions of foreign bank registered as FPIs
        - Government and Government related investors registered as Cat-I FPIs

    Note: Bids belonging to the above FPIs/ FPI structures, having same PAN, would be collated by the issuer and identified as single bid in bidding process. The shares allotted in the bid may be proportionately distributed to the applicant FPIs (with same PAN)

* Application Supported by Blocked Amount (ASBA) means an application for subscribing to a public issue or rights issue, along with an authorisation to self-certified syndicate bank to block the application money in a bank account.

9.2.3. Secondary Market Investments in Equity

For the investors, the secondary market provides an efficient platform for trading in securities either through the Exchange platform or Over-the-Counter (OTC).

FPIs are permitted to buy/ sell listed equities only on recognised Stock Exchange platform, through a SEBI-registered broker and settled through the Clearing Corporations.

9.2.4. Investment Limits in Equity and Monitoring of Limits

9.2.4.1. Foreign Ownership Limit

Investment by FPIs in the shares of companies listed on the recognised stock exchange in India is subject to the following ownership limits:

<table>
<tr><th>Individual Limit for FPIs (including same investor group)</th><th>Aggregate Limit for all FPIs</th></tr>
<tr><td>— The investment holding should always be below 10% of the total paid-up equity capital on a fully diluted basis of the company
— The 10% limit is applicable across investments in the same listed company through
  — ADR/ GDR (post conversion to underlying equity shares)
  — FVCI
  — Participatory Notes/ Offshore Derivative Instrument</td><td>The maximum permissible investment in the shares of a listed company, jointly by all FPIs together, is the sectoral cap:
— Unless a lower limit of 24%, 49% or 74% has been set by the company. The limit may be raised to 49% or 74% or the sectoral cap, but once the aggregate limit has been increased to a higher threshold, the Indian company cannot reduce the same to a lower threshold
— For sectors in which FDI is prohibited, aggregate FPI investment up to 24% is permitted</td></tr>
</table>

Few key sector-specific limits:

- Private Sector Banks: Any acquisition beyond 5% by any investor, foreign or domestic, would require prior approval from RBI
- Credit Information Companies: Any acquisition in excess of 1% by FPIs needs to be reported to RBI
- Stock Exchange, Clearing Corporations and Depositories: FPIs can acquire/ hold up to 5% of the paid-up equity share capital in a recognised stock exchange or clearing corporation or depositories

9.2.4.2. Clubbing of Investment Limits of FPIs Belonging to the Same Investor Group

FPIs having common ownership of more than 50% in the FPI or having common control are considered to be belonging to the same FPI Investor Group.

Control includes the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of shareholding or management rights or shareholders agreements or voting agreements or in any other manner.

I. Exceptions to Clubbing on Basis of Common Control

- FPIs which are appropriately regulated public retail funds, or
- FPIs which are public retail funds, majority owned by appropriately regulated public retail funds on look-through basis, or
- FPIs which are public retail funds, and investment managers of such FPIs are appropriately regulated
- Public retail funds mean:
  - Mutual funds or unit trusts which are open for subscription to retail investors and do not have specific investor type requirements e.g., accredited investors, etc.
  - Insurance companies where segregated portfolio with one-to-one correlation with a single investor is not maintained
  - Pension funds

II. Foreign Governments and Their Related Entities

- Investment by Foreign Government agencies/ their related entities forming part of the same investor group will be clubbed with the investment by the respective foreign Government/ its related entities for the purpose of calculation of 10% limit for FPI investments in a single company
- Exemptions from clubbing for Foreign Government/ its related entities:
  - Investment by Foreign Government/ its related entities from provinces/ states of countries with federal structure, if the said foreign entities have different ownership and control
  - Where the Government of India has agreements or treaties with other sovereign governments specifically recognising certain entities to be distinct and separate, or Government of India by an order recognises them as separate entities,
  - Investment by World Bank group entities like IBRP, IDA, MIGA and IFC

9.2.4.3. Limit Monitoring Mechanism of Listed Companies

I. Tracking of Limit for FPIs Belonging to the Same Investor Group: Primary Market

In case the FPI is investing through primary market, the Registrar and Transfer Agent (RTA) would have to validate the details related to the investor group, with Depositories. This is done prior to allotment of shares to ensure that a single FPI or FPIs as part of investor group, does not breach the investment limit of 10%.

II. Tracking of FPIs Belonging to the Same Investor Group: Secondary Market

- The depositories monitor the individual investment limit related to the FPIs belonging to the same investor group and held with different custodians. This is based on end-of-day demat holdings data. The data is reported by the custodians to depositories as below:
  - Details of the investor group at the time of registration or at any time of receipt of such details from the FPIs/ due diligence by custodians
  - Transactions undertaken by FPIs, reported on T+1 (T being the trade date)
  - The depositories then track the investment limits of FPIs belonging to same investor group to ensure it remains below 10% of the paid-up capital of the listed company on a fully diluted basis, at any time

III. Tracking of Aggregate Investment Limit/ Sectoral Cap by FPIs

- The Depositories monitor the foreign ownership limits for FPIs at aggregate level as well as sectoral cap for secondary market investments
- Foreign investment limits are monitored based on paid-up equity capital of the company, on fully diluted basis
- A red flag is activated whenever the foreign investment is within 3% or less than 3% of the aggregate FPI limits or sectoral cap
- The depositories and exchanges would display on their website, the available investment headroom, in terms of available shares, for all companies for which the red flag has been activated
- The data on the available investment headroom shall be updated on end-of-day basis, if the red flag is activated
- This data is published on the website of the Depositories as well as Stock Exchange

IV. Breach of Limits:

i. Aggregate Limit

- Depositories shall inform the exchanges, which in turn would issue public notification on their website and halt further purchases by foreign investors including FPIs, if the sectoral cap is breached
- The foreign investors are required to divest their excess holding within five trading days from the date of settlement of the trades, by selling shares only to domestic investors
- Method of Disinvestment – Proportionate disinvestment of foreign investment to bring the shareholding within permissible limits (refer an indicative calculation below)

- Depending on the limit breached, disinvestment is uniformly spread across all foreign investors including FPIs, who are net buyers in that particular security on the date of breach
- The investors thus identified are informed of the excess quantity that they are required to disinvest. In the case of FPIs which have been identified for disinvestment of excess holding, the depositories would issue the necessary instructions to the custodians of these FPIs for disinvestment of the excess holding
- The breach is detected at the end of T+1 day (based on custodial confirmation data) and the announcement of breach is made at the end of T+1 day; hence the foreign investors who have purchased the shares during the trading hours on the T+1 day would need to divest such shares within five trading days from the date of settlement of such trades
- FPIs which have been advised to disinvest, need to do so in the given time irrespective of fresh availability of an investment headroom during the disinvestment time period or foreign shareholding going below permissible limit, due to sale by other FPIs
- There would be no annulment of the trades which have been executed on the trading platform of the stock exchanges and which are in breach of the sectoral or aggregate FPI limit
- Failure to disinvest within the disinvestment period would attract regulatory action from SEBI

Calculation of Shares to be Divested in Case of Breach

Particular	No. of Shares
Available headroom limit	600 shares
Purchases by Foreign Investors* including FPIs executed on day of breach	1,000
Excess shares, to be divested in five working days	400 (40% of the purchases executed on day of breach)

*FPIs, in case breach is of the limit available to FPIs, NRIs, in case breach is of the limit available for NRI, and both, where combined or sectoral limit is breached.

Time Of Purchase	Investor	Shares Purchased	Cumulative Purchase	Shares to be Divested	Shares to be Retained
1000 hrs	A	100	100	40	60
1100 hrs	B	150	250	60	90
1200 hrs	C	250	500	100	150
1300 hrs	D	180	680	72	108
1400 hrs	E	80	760	32	48
1430 hrs	F	240	1,000	96	144
Total		1,000		400	600

ii. Individual Limit (including Investor Group for which clubbing is applicable)

In case of breach of limit, the FPI shall have the option of:

- Divesting holdings within five trading days from date of settlement of the trades causing the breach
- Alternatively, in case the FPI chooses not to divest, the entire investment in the specific listed company, of that FPI (and its investor group) shall be considered as investment under FDI. The FPI or its investor group would not be permitted to buy this specified security under the FPI route
- The FPI, through its custodian, shall bring the same to the notice of the depositories and the concerned company for effecting necessary changes in their records the breach of the

said aggregate or sectoral limit on account of such acquisition for the period between the acquisition and sale or conversion to FDI within the prescribed time, shall not be reckoned as a contravention under these Rules

9.2.5. Other Investment Guidelines and Regulatory Reporting Requirements

I. Substantial Acquisition of Shares or Voting Rights and Open Offer

— The initial trigger limit for acquirers to make an open offer of shares under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (SAST Regulations) is 25% of the total shares or voting capital in a company

— An acquirer, holding 25% or more of the shares or voting rights in a company, can make acquisitions of up to 5% per financial year, without triggering the requirement of making an open offer (Incremental Trigger). Provided the acquisition does not result in the acquirer breaching any maximum permissible non-public shareholding limit

— Acquisition of control - Irrespective of acquisition or holding of shares or voting rights in a target company, no acquirer shall acquire, directly or indirectly, control over such target company unless the acquirer makes a public announcement of an open offer for acquiring shares of the target company, in accordance with the SAST Regulations

— The open offer for acquiring shares to be made by the acquirer shall be for at least 26% of total shares of the target company, as of 10^{th} working day from the closure of the tendering period; tendering period is the period within which other shareholder can tender shares in acceptance of an open offer

II. Reporting under SEBI (SAST) Regulations, 2011

— Any acquirer, together with persons acting in concert with him, acquiring shares or voting rights in a target company, which taken together aggregates to 5% or more of the shares of such target company, shall disclose their aggregate shareholding and voting rights in such target company

— Any person, together with persons acting in concert with him, holds shares or voting rights entitling them to 5% or more of the shares or voting rights in a target company, shall disclose the number of shares or voting rights held and change in shareholding or voting rights, even if such change results in shareholding falling below 5%, if there has been change in such holdings from the last disclosure made; and such change exceeds 2% of total shareholding or voting rights in the target company

— The above reporting needs to be done within two working days of the receipt of intimation of allotment of shares, or the acquisition or disposal of shares or voting rights in the target company to:

  — Every stock exchange where the shares of the target company are listed, and

  — The target company at its registered office

  — Shares taken by way of encumbrance shall be treated as an acquisition and shares given upon release of encumbrance shall be treated as a disposal

Summary Table

Particular	Reporting/ Disclosure
Initial Trigger	Acquiring 5% or more
Incremental Trigger	Change of more than 2% (even if that change takes holding below 5%) from the last disclosure

III. SEBI (Prohibition of Insider Trading), Regulations, 2015

- Unpublished Price Sensitive Information (UPSI): Information not generally available to public and which may impact the price of the security
- Insider: Anyone in possession of or having access to UPSI to be considered an "insider", including:
  Persons connected on the basis of being in any contractual, fiduciary or employment relationship that allows such person access to UPSI; a person who is in possession or has access to UPSI; immediate relatives would be presumed to be connected persons, with a right to rebut the presumption
- Considering every investor's interest in securities market, advance disclosure of UPSI at least two days prior to trading has been made mandatory in case of permitted communication of UPSI
- Clear prohibition on communication of UPSI has been provided except for legitimate purposes, performance of duties or discharge of legal obligations
- Mandatory disclosure of UPSI in public domain before trading, so as to rule out asymmetry of information in the market, as prevalent in other jurisdictions
- Principle based Code of Fair Disclosure and Code of Conduct has been prescribed
- In given cases, certain circumstances which can be demonstrated by an insider to prove his innocence have been provided

9.3. Investment Guidelines – Fixed Income

9.3.1. Investment Routes and Restrictions

FPIs are permitted to invest in Fixed Income (G-Secs, SDLs, Corporate Debt) under FEMA Debt Instrument Regulations 2019 and SEBI FPI regulations, 2019 and any notifications issued thereunder. Key features of these are as below:

- FEMA Debt Rules provide three routes for investment, offering investment flexibility to FPIs investing in Indian debt market, aligning FPI investment needs, with that of Indian debt market
  - General Investment Limit – Medium Term Framework (GIL-MTF): Limits and residual maturity conditions apply with no lock-in on repatriation of funds
  - Voluntary Retention Route (VRR): Wide range of instruments permitted with limited restrictions, subject to lock-in of funds from repatriation, for three years or higher period (as committed by the FPI)
  - Fully Accessible Route (FAR): Investments permitted without any restrictions or limits, in specified G-Secs
- The investment in fixed income is governed by specified investments limits

The table below gives broad comparative summary of the three routes. Key details of some important aspects are also clarified under topics following this table, to provide a better understanding.

Subject	General Investment Limit – Medium Term Framework (GIL-MTF)	VRR	FAR
Quantitative Limit on Total Investments	Yes. Current Limits: G-Sec Limits: INR 2,678.90 billion (General) INR 1,368.90 billion (Long-Term) SDL Limits: INR 928.28 billion (General) INR 71 billion (Long-Term) Corporate Bond Limit: INR 6,678.71 billion	Aggregate Limit: INR 2,500 billion (as made available) Individual limit per FPI: As may be obtained by bidding (Committed Portfolio Size (CPS))	No quantitative limit applicable. The specified securities will be fully accessible to eligible foreign investors. List of securities notified on CCIL website: https://www.ccilindia.com/FPIHome.aspx
Lock-in on Investments	No lock-in provisions on investments. Funds are fully repatriable.	Yes. 75% of the CPS is Non repatriable for a minimum retention period of 3 years or higher retention period as per the bid by FPI.	No lock-in provision, funds are fully repatriable.
Eligible Investors	FPIs	FPIs	Eligible non-resident investors: — FPIs — NRI — OCIs — Other entities permitted to invest in G-Secs under Debt Regulations — Other non-resident entities investing through ICSDs*

*International Central Securities Depositories - operational guidelines to be notified

Subject	General Investment Limit – Medium Term Framework (GIL-MTF)	VRR	FAR
Investments in G-Secs and T-Bills	All G-Secs are permitted, provided investments in T-Bills and other G-Secs with short-term maturity (<1-year residual maturity) does not exceed 30% of the portfolio under G-Secs category.	All G-Secs are permitted.	Only specified G-Secs as below: — Securities issued after April 1, 2020 with tenor of: — 5 years — 10 years — 30 years — Securities issued after July 7, 2022 with tenor of: — 7 years — 14 years — All Sovereign Green Bonds issued by the Indian Government in the FY 2022-23 The list of securities can be accessed below: https://www.ccilindia.com/FPIHome.aspx
Investments in SDLs	Yes, with 30% limit restriction on less than one-year residual maturity applicable.	Yes	No
Investments in Corporate Debt	Yes, with residual maturity above one-year.	Yes	No
Investments in Commercial Papers	No	Yes	No
Investments in Mutual Fund units	Yes	No	No
Investment in Debt Securities of InvITs/REITs	Yes	Yes	Not applicable
Security-wise limit in G-Secs and T-Bills	30% of outstanding stock of the security.	30% of outstanding stock of the security.	No such limit.
Residual Maturity Conditions	Restrictions applicable. Details covered under 9.4.1.1.	No restriction on maturity period.	No restriction on maturity period.

Subject	General Investment Limit – Medium Term Framework (GIL-MTF)	VRR	FAR
Concentration Limits	— General FPIs - 10% of the overall limit in that category — Long-term FPIs - 15% of the overall limit in that category	Not applicable	Not applicable
Single-Investor wise Group Exposure Limit for Corporate Bonds	Permitted to invest only up to 50% in a single ISIN (investment prior to April 27, 2018, grandfathered).	No such restriction on exposure. However, if the entity has invested 50% in the ISIN through GIL-MTF, then they cannot invest balance 50% through VRR.	Not applicable as the route is for investments in specified G-Secs only.
End-use Restriction for Investments in Unlisted Bonds	End-use restriction on investment in real estate business, capital market and purchase of land.	End-use restriction on investment in real estate business, capital market and purchase of land.	Not applicable as the route is for investments in specified G-Secs only.
Mandatory Use of Route	No — Either GIL-MTF or VRR may be used subject to availability of headroom under the route — This route cannot be used to invest in FAR specified securities	No — Either GIL-MTF or VRR may be used subject to availability of headroom under the route — This route cannot be used to invest in FAR specified securities	Mandatory for eligible investors investing in specified securities.
Segregated Accounts	Existing SNRR Cash account and Securities account can be used for investments under this route.	Segregated SNRR Cash account and Securities account required for investments under this route..	No separate accounts required. Existing SNRR cash account and securities as used for investments under GIL-MTF can be used for investments under FAR.
Transition between Routes	— Securities (other than FAR-specified) held under this route may be moved to VRR; however, no inward transition of securities to this route is permitted from other routes — INR Cash can be freely transferred to VRR cash account and can also be utilised for FAR	— Securities held under GIL-MTF may be moved to this route, however, securities held in VRR cannot move to GIL-MTF — INR Cash can be freely transferred to GILMTF and FAR related cash account only if the 75% of the CPS threshold limit is not breached	— All existing investments in specified securities at the commencement of this route shall be automatically reckoned under FAR — No switch-out of securities from FAR to other routes permitted — INR cash can be freely transferred to VRR account and can also be utilised for investments under GIL-MTF

Notes:

- FPIs are not permitted to invest in partly-paid instruments
- Aggregate Limits for the FPIs in each category:
    - G-Secs: The limit for FPI investment in G-Secs is 6% of outstanding securities
    - SDLs: The limit for FPI investment in SDLs is 2% of outstanding securities
    - Corporate Debt: This limit has now been fixed at 15% of outstanding securities

9.3.1.1. Additional Points to Be Noted on GIL-MTF Route

I. Residual Maturity under GIL-MTF

G-Sec and T-Bills	Corporate Debt
FPIs are permitted to invest in Central Government Securities (G-Secs), including in Treasury Bills (T-Bills), and State Development Loans (SDLs) without any minimum residual maturity requirement, subject to the below condition on short-term investments: — FPIs holding in G-Secs, T-Bills and SDLs, in short-term maturity investments should not exceed 30% of the FPI's total investment in that specified category (G-Sec or SDL) — The 30% limit will be reckoned on end-of-day basis — If short-term investments consist entirely of investments made on or before April 27, 2018, the short-term investments can exceed 30% limit Temporary relaxation provided by RBI as under: — Investments made between July 8, 2022, and October 31, 2022, are exempt from the above limit on short-term investments, till maturity or sale of such investments	FPIs permitted to invest in Corporate Bonds with a residual maturity of above one year. FPI holding short-term investments in Corporate Bonds is governed as follows: — FPIs should ensure that holding in Corporate Bonds, in short-term maturity investments does not exceed 30% of the FPIs total investment in Corporate Debt — The 30% limit will be reckoned on end-of-day basis. At the end of any day, all investments with residual maturity of up to one year will be reckoned for the 30% limit — This 30% limit is not applicable to exempted securities Temporary relaxation provided by RBI as under: — Investments made between July 8, 2022, and October 31, 2022, are exempt from the above limit on short-term investments, till maturity or sale of such investments — FPIs were permitted to invest in CPs and NCDs with an original maturity of up to one year, during the period between July 8, 2022, and October 31, 2022

Note:

- Short-term maturity investment means investments with residual maturity of less than one year
- Following securities are exempted from requirement of residual maturity, and termed as 'Exempted Securities':
    - Security Receipts (SRs)
    - Debt instruments issued by Asset Reconstruction Companies
    - Debt instruments issued by an entity under the Corporate Insolvency Resolution Process as per the resolution plan approved by the National Company Law Tribunal under the Insolvency and Bankruptcy Code, 2016
    - Non-Convertible Debentures/ Corporate Bonds which are under default, either fully or partly, in the repayment of principal on maturity or principal instalment in the case of amortising bond

II. Limit Monitoring Mechanism of Limits under GIL-MTF

- The monitoring of limit utilisation and security-wise limits in G-Secs and SDLs will be done by CCIL on real-time basis, on the Negotiated Dealing System - Order Matching (NDS-OM). The monitoring of limits can be accessed at: https://www.ccilindia.com/FPIHome.aspx
- The depositories, NSDL and CDSL, monitor the utilisation of limits for Corporate Bonds limits at the end-of-day, and can be accessed at: https://www.fpi.nsdl.co.in/web/Reports/ReportDetail.aspx?RepID=1 https://www.cdslindia.com/publications/FIIs.aspx
- FPI investment limits (overall basis) and at investor group levels are tracked by the NSDL and CDSL based on the trades reported by the custodian at an end-of-day basis

III. Security-wise Limit Monitoring under GIL-MTF for G-Secs

The aggregate limit in each G-Sec is 30% of the outstanding stock of that security.

- The security in which aggregate FPI investment has reached 30% of amount outstanding would be placed in negative list and no additional purchases of the security are permitted until the total foreign ownership in that security falls below 30%
- Since these limits are monitored on real-time basis on NDS-OM, for securities which are very close to the 30% limit, it is possible these securities were not in the negative list at the beginning of the day and may enter the negative list during the day due to the purchase transaction reported by other FPIs on NDS-OM
- These limits are reported on the CCIL website, under the sub-heading 'Security wise Holding' and 'Negative Investment List' under the tab – "FPI Debt (G-Sec) Utilisation Status"

https://www.ccilindia.com/FPIHome.aspx

IV. Limit Utilisation Conditions for G-Secs

i. Re-investment of limits in G-Secs
- FPIs are permitted to re-invest in additional G-Sec or SDL to the extent of the limit released, as a result of sale/ maturity of their existing investment and also on the coupon earned on the investment
- All the other existing conditions for investments by FPIs in G-Secs will remain unchanged for this additional facility as well

ii. Sale/ Maturity of the existing investment:
Any proceeds arising out of sale/ redemption of G-Secs acquired from coupon receipts, shall be eligible for a re-investment period of two working days

iii. Coupon Re-investment:
- FPIs have been permitted to reinvest the coupons earned on their existing investments in G-Secs, even when the limits are fully utilised
- These investments by FPIs in G-Secs have been kept outside the applicable limits till the next reset of limits, when it shall be reckoned with the utilised limit
- FPIs have an investment period of two working days from the date of receipt of the coupon

iv. Utilisation of G-Sec limit by FPIs upon their re-categorisation as long-term FPI or vice-versa
- The existing G-Sec holdings (i.e., prior to re-categorisation of the FPI) will not be reclassified
- Pursuant to the re-categorisation of the FPI, all future G-Sec investments will be reckoned against the appropriate debt limits, as applicable
- The FPI shall have re-investment period as applicable at the time of the initial investment

V. Conditions for Specific Type of Securities under Corporate Debt

i. Corporate Bonds under default

RBI has permitted FPIs to invest in Corporate Bonds which are under default, subject to following conditions:

- FPIs can acquire Non-Convertible Debentures (NCDs)/ Bonds which are under default, either fully or partly, in the repayment of principal on maturity or principal instalment, in the case of an amortising bond (FPIs shall be guided by RBI's definition of an amortising bond in this regard)
- The FPIs which propose to acquire such NCDs/ Bonds should disclose to the Debenture Trustees, the terms of their offer to the existing debenture holders/ beneficial owners from whom they are acquiring
- Such investment will be within the overall limit prescribed for Corporate Debt from time to time
- Exempted from the short-term investment limit, minimum residual maturity requirement and Single/ Group investor-wise limit in Corporate Bonds

ii. Unlisted/ To-be listed Non-Convertible Debentures/ Bonds

FPIs are permitted to invest in unlisted non-convertible debentures/ bonds issued by an Indian company, subject to:

- Guidelines issued by Ministry of Corporate Affairs, Government of India
- Minimum residual maturity of above one year
- Should be held in dematerialised form
- End use-restriction on investment in real estate business, capital market and purchase of land. The custodian banks of FPIs shall ensure compliance with this condition

FPIs are eligible to invest in corporate debt issues which are "to-be listed" without any end-use restriction as applicable to unlisted debt securities. However, if the listing does not happen within 15 days or the issue is not meeting end-use restriction, FPI shall immediately dispose such investment to either domestic investor or issuer.

Definition of Real Estate business: Dealing in land and immovable property with a view to earning profit there from and does not include development of townships, construction of residential commercial premises, roads or bridges, educational institutions, recreational facilities, city and regional level infrastructure, townships. Further, earning of rent income on lease of the property, not amounting to transfer, will not amount to real estate business.

iii. Securitised Debt Instruments

FPIs are permitted to invest in securitised debt instruments including any certificate or instrument issued by a special purpose vehicle (SPV) set up for securitisation of asset/ s with Banks, Financial Institutions (FIs) or Non-Banking Financial Companies (NBFCs) as originators.

iv. Investment in Credit Enhanced Bonds

Credit enhancement refers to a method whereby a company attempts to improve its debt or credit worthiness. Through credit enhancement, the lender is provided with reassurance that the borrower will honour the obligation through additional collateral, insurance, or a third-party guarantee. Credit enhancement reduces credit/ default risk of a debt, thereby increasing the overall credit rating and lowering interest rates.

v. Auction Mechanism for Corporate Debt Limit

Although the auction mechanism has been done away for G-Sec, it continues for Corporate Debt Limit.

- The auction mechanism would trigger when the utilised debt limit reaches 95% of the total available limit
- The market shall continue to be under auction mechanism till the utilised limit remains above 92%

- The auction mechanism will be discontinued and the limits will be once again available for investment on tap when the debt limit utilisation falls below 92%
- The reinvestment facility upon sale/ redemption will be terminated and cannot be availed for the same limits when the utilisation crosses 95% again

In the event the overall FPI investment in Corporate Debt exceeds 95%, the following procedure shall be followed:

- The depositories, (NDSL and CDSL) direct the custodians to halt all FPI purchases in Corporate Debt securities
- Depositories inform the Exchanges (NSE and BSE) regarding the unutilised debt limits for conduct of auction. The exchanges (starting with BSE), will then conduct an auction for the unutilised debt limits on the second trading day from the date of receipt of intimation from the depositories. Thereafter, the auction will be conducted alternately on NSE and BSE

Topic	Corporate Debt
Duration of bidding	The bidding shall be conducted for two hours from 3.30pm to 5.30pm
Access to platform	Trading Members
Minimum bid	INR 10 million
Maximum bid	One-tenth of the free limit being auctioned
Tick size	INR 10 million
Allocation methodology	Price time priority
Pricing of bid	Minimum flat fee of INR 1,000 or bid price whichever is higher
Maximum limit	A single FPI/ FPI group cannot bid for more than 10% of the limits being auctioned
Minimum free limit availability for auction	Free limit is greater than or equal to INR 1 billion. However, if the free limit remains below INR 1 billion for 15 consecutive trading days, auction will be conducted on 16th trading day
Utilisation period	Time period for investing in debt securities using the allotted limits will be 10 trading days. Limits not utilised within 10 trading days would come back to the pool of free limits
Re-investment period in case of sale/ redemption	Upon sale or redemption of debt, the FPI will have a re-investment period of two trading days. If reinvestment is not made within two trading days, then the limits will be clubbed in the pool of free limits
Subsequent auctions	Subsequent auctions would be held 12 trading days from the date of the last auction, subject to the condition that the free limit is greater than or equal to INR 1 billion

9.3.1.2. Additional Points on VRR

Introduced to encourage long-term investment by FPIs in Indian debt market, it provides greater operational flexibility by easing of the restrictions as applicable in GIL-MTF.

I. Key Features of the VRR:

- The investment limits allocated will be called the Committed Portfolio Size (CPS)
- Each FPI (including related FPIs) will be allotted a maximum of 50% of the amount offered for each tranche, if the total demand for limits exceeds the limits offered in that tranche (the CCIL system limits maximum bid size to 50% of offer size and the FPIs have to place multiple bids if applying for bids in excess of 50%; however, allotment in excess of 50% of the limit offered would be possible only if the aggregate bids by all FPIs is less than limits offered)
- Allocation of investment amount to FPIs under VRR would be made on-tap or through auctions. The methodology would be notified when limits are released
- The allocation for on-tap methodology will be on ‘first come, first served’ basis
- Minimum retention period of the CPS will be three years or as prescribed by RBI from time to time
- The amount invested will be reckoned on face value basis

II. Auction Process

- FPIs shall bid for two variables either as a single bid or multiple bids:
  - The amount it proposes to invest
  - Retention period of such investment (should be more than minimum retention period applicable for the auction)
- Allocation of investment amount:
  - Criteria for allocation will be the retention period
  - Bids will be accepted in the descending order of the retention period with highest-first, until the amounts accepted equals the auction amount
  - In case the amount bid at the lowest accepted retention period (marginal bid), is more than the amount available for allotment then, allocation for lowest bid would be partial such that the total accepted amount equals the auction amount
    - In case of more than one marginal bids at the retention period, allocation would be in descending order of size of amount
    - In case of more than one marginal bids with the same amount then the allocation will be done equally

III. Eligible Instruments/ Securities Available for Investment Through VRR

- G-Secs, T-Bills, SDLs
- Non-Convertible Debentures/ Bonds issued by an Indian company
- CPs issued by an Indian company
- ETFs investing only in debt instruments
- SRs issued by Asset Reconstruction Companies
- Debt instrument issued by Banks eligible for regulatory capital
- INR-denominated Bonds/ units issued by Infrastructure Debt Funds
- Credit Enhanced Bonds
- Listed Non-Convertible/ Redeemable Preference Shares or Debentures issued in case of merger or demerger or amalgamation of Indian companies (Regulation 6 of Foreign Exchange Management (Debt Instruments) Regulations, 2019 (Debt Regulations))
- Securitised debt instruments including any certificate or instrument issued by a Special Purpose Vehicle (SPV) set up for securitisation of asset/ s with Banks, Financial Institutions or NBFCs as originators
- Municipal Bonds
- Repo and Reverse Repo transactions
- Debt securities issued by InvITs and REITs

IV. Investment Conditions:

- The retention period will commence from the date of allotment of the investment limit (CPS)
  - At least 75% of the allotted limit should be invested in securities within three months from the date of allotment
  - The required investment amount of 75% of CPS will be adhered to on an end-of-day basis
  - The INR in the cash account of the FPI used for VRR, is included for calculating the retention period of 75%
  - FPIs may, at their discretion, transfer their investments made under the General Investment Limit, if any, to the VRR scheme
- Single/ group investor-wise limits applicable for investments in Corporate Bonds under General Investment Limit will not apply under VRR; however, if an FPI has invested 50% in an ISIN under GIL-MTF, then further purchase in the same ISIN through VRR is not permissible
- Income from investments (interest + gains) through VRR, can be re-invested, and this can be in excess of the CPS; however, the monitoring of investments will always be at the CPS and re-investments from income can be considered for the adherence of the 75% end-of-day limit
- Repo and Reverse Repo transactions – The amount borrowed or lent is restricted to 10% of the CPS under the VRR
- Hedging – FPIs investing in VRR are permitted to use any currency or interest rate derivative instrument, OTC or exchange traded, to manage their interest rate risk or currency risk

V. Other Operational Aspects

- Utilisation of limits and adherence to other requirements of VRR will be the responsibility of both the FPI and its custodian
- FPIs shall open one or more separate Special Non-Resident Rupee (SNRR) Account for investment through VRR and all fund flows regarding VRR should reflect in this account
- FPIs shall also open a separate securities account for holding debt securities under this route
- Custodians shall not permit any repatriation from the cash accounts of an FPI, if such transaction leads to the FPI's assets falling below the minimum stipulated level of 75% of CPS during the retention period

9.3.2. Primary Issuances

I. G-Secs and SDLs

- G-Secs are issued by RBI through Primary Market Auctions and can be subscribed by FPIs, apart from domestic investors
- Investors need to provide their instructions to the custodian or the primary dealer, to submit bid in the bidding platform (E-Kuber system of RBI) latest by noon on the auction date
- The auction results are announced on the same day between 1.30pm to 2.30pm IST, for settlement on T+1 basis

II. Corporate Bonds – Private Placement through Electronic Book Mechanism
SEBI has introduced Electronic Bidding Platform (EBP) for issuances of Corporate Bonds through the Private Placement route.

Eligible Securities	Mandatory All Private Placement of Debt Securities and Non-Convertible Redeemable Preference Shares (NCRPS) by a body corporate, except instruments issued by the Government, Security Receipts and Securitised Debt instruments, shall be required to be made through EBP if it is: — A single issue, inclusive of greenshoe option is of INR 500 million or more — A shelf issue of multiple tranches, which cumulatively amounts to INR 500 million or more, in a financial year — A subsequent issue, where aggregate of all previous issues by an issuer in a financial year equal or exceeds INR 500 million	Optional An issuer, irrespective of issue size, may choose to access EBP for Private Placement of: — Debt securities issued by Municipality — Commercial Papers — Certificate of Deposits
Platform Providers	— Stock Exchanges — Depositories	
Framework	— Issuer to disclose Private Placement Memorandum (PPM)/ Information Memorandum (IM) and term sheet with details of size, bid open and close date/ time, minimum lot, manner of bidding, allotment and settlement, settlement cycle — Participants are required to enroll with EBP before entering bids, by completing the necessary KYC requirements — Biding shall be allowed in the bidding time window specified by the issuer; at the end of the bidding time window, EBP shall, on an anonymous basis, disclose the aggregate volume data, including yield, amount including the amount of oversubscription, total bids received, rating(s), category of investor etc. to avoid any speculations — EBP shall upload the allotment data on its website to be made available to the public	

9.3.3. Secondary Market

	Government Securities	Corporate Debt
Transactions	— OTC — NDS-OM web base module	— OTC — Stock Exchanges
Reporting	OTC deals to be reported on NDS-OM	OTC deals to be reported on reporting platform of Exchanges
Settlement	Through CCIL	Through clearing corporations of Exchanges

9.3.3.1. Request for Quote Platform (RFQ)

- RFQ is an electronic trading mechanism provided by the exchange for execution of trades in eligible Debt Segment
- Effective October 1, 2023, FPIs need to undertake at least 10% of their total secondary market trades in Corporate Bonds by value on the RFQ platform, on a quarterly basis
- The mechanism provides a flexibility to initiate a quote using 'Yield', 'Price' or 'Both'
- Both Bid (Buy)/ Offer (Sell) executable quotes can be entered by initiating dealer key features of the mechanism:
  - Bid initiator has the option to either remain anonymous or disclose their identity
  - Initiator can delete the quote any time before a trade is executed
  - The quote can be placed to an identified counterparty (i.e., 'One-to-One' (OTO) mode) or to all the participants (i.e., 'One-to-Many' (OTM) mode)
  - Initiator also has the option to show quote to market or send them privately to select participants
  - Responding dealer can respond by accepting the deal or negotiate with initiator by providing an alternative quote
  - All quotes entered will auto-expire at the end of the trading session for the day
- Quotes will be bilaterally negotiated between participants based on specified RFQ parameters
- Acceptance of quote by the participant will be considered as mutual agreement for given deal

*FPIs are not permitted to invest in CDs and can invest in CPs only through VRR.

Working Hours: RFQ will be operational from Monday to Friday as per below timings:

Security type	Market Hours
For T+0 Settlement (All eligible securities except G-Sec, SDL and T-Bills)	9am to 4pm
For T+1 Settlement (All eligible securities)	9am to 5pm

9.4. Investment Guidelines – Derivatives and Hybrid Securities

FPIs are allowed to invest in derivatives traded on a recognised stock exchange. Derivatives include Index Futures and Options, Single Stock Futures and Options, Interest Rate Derivatives, and Currency Derivatives.

Investment Position Limits

Instrument Type	All Category-I (Including Long-term)	Category-II FPIs that are Individuals, Corporates and Family Offices	Category-II FPIs (other than Individuals, Corporates and Family Offices)
Stock Derivatives Position Limits	20% of Market Wide Position Limits	5% of Market Wide Position Limits	10% of Market Wide Position Limits
Index Derivatives Position Limits	Higher of: — INR 5 billion, or — 15% of total open interest of the market in index futures	Higher of: — INR 1 billion, or — 5% of total open interest of the market in index futures	Higher of: — INR 3 billion, or — 10% of total open interest of the market in index futures

Instrument Type	All Category-I (Including Long-term)	Category-II FPIs that are Individuals, Corporates and Family Offices	Category-II FPIs (other than Individuals, Corporates and Family Offices)
Additional Limits for Index Derivatives	— Short positions in index derivatives (short futures, short calls and long puts) not exceeding (in notional value) the FPI Category-I holding of stocks — Long positions in index derivatives (long futures, long calls and short puts) not exceeding (in notional value) the FPI's holding of cash, G-Secs, T-Bills and similar instruments		
Commodity Derivatives	Client-level – at par with those currently applicable for Mutual Fund schemes	A position limit of 20% of the client-level position limit in a particular commodity derivatives contract similar to the position limits prescribed for currency derivatives	Client-level – at par with those currently applicable for Mutual Fund schemes
Interest Rate Futures (IRFs) (Overall Limit of INR 50 billion)			
8-11 Years Maturity Bucket	10% of open interest or INR 12 billion, whichever is higher	3% of open interest or INR 4 billion, whichever is higher	10% of open interest or INR 12 billion, whichever is higher
Across All Contracts within Other Maturity Buckets	10% of open interest or INR 6 billion, whichever is higher	3% of open interest or INR 2 billion, whichever is higher	10% of open interest or INR 6 billion, whichever is higher
	A separate limit of INR 50 billion to FPIs for taking long position in Interest Rate Derivatives. This limit will be calculated as follows: — For each IRF instrument, position of FPIs with a net long position will be aggregated. FPIs with a net short position in the instrument will not be reckoned — No FPI can acquire net long position in excess of INR 18 billion at any point of time		

Notes:

— The Position Limits available in Stock Index Derivatives are separately available for Futures and for Options and can be accessed at: https://www.nseindia.com/products-services/equity-derivatives-position-limits

9.4.1. Monitoring of Interest Rate Futures (IRFs) Limits

— Aggregate limits of all FPIs taken together at the end of the day will be published on a daily basis by the stock exchanges on their website

— Once 90% of the limit is utilised, stock exchanges shall put in place necessary mechanism to send alerts and publish on their websites the available limit, on a daily basis

— In case of breach of the threshold limit, the FPI whose investment caused the breach will have to square-off their excess position within five trading days or by expiry of contract, whichever is earlier

9.4.2. Currency Derivatives

FPIs are permitted to hedge their currency exposure on the OTC market by way of Forward Cover with Banks/ Primary Dealers or by participating in the Currency Derivatives Segment of the Exchange. The information related to currency hedging are provided in Chapter 12.

Currency Derivatives	RBI permits Foreign Investors to hedge — Up to 100% of their exposure in equity and debt investments — Up to USD 10 million equivalent of notional value (outstanding at any point in time) without the need to establish the existence of underlying exposure — Foreign investors can hedge their anticipated exposure — Forward contracts can be rolled-over on or before maturity date of the contract — Forward contracts can be freely cancelled and rebooked	Tenor of forward contracts should not exceed the tenor of the underlying exposure
Exchange Traded Derivatives	FPIs are permitted to deal in currency derivatives with INR as one of currencies — Up to USD 100 million without having to establish existence of underlying exposure — Above USD 100 million or equivalent, underlying exposure to equity and debt should be provided FPIs are permitted to deal in cross currency pairs involving USD, EUR, GBP and JPY	Tenor of forward contracts should not exceed the tenor of the underlying exposure

9.4.3 Commodity Derivatives

— FPIs are permitted to participate in Exchange Traded Commodity Derivatives (ETCDs)
— The requirement of actual exposure to Indian physical commodities, is no longer mandatory
— FPIs are permitted to participate in Exchange Traded Commodity Derivatives in India however only in cash-settled non-agricultural commodity derivative contracts and indices comprising such non-agricultural commodities
— Position Limits:
  i. FPIs other than individuals, family offices and corporates may participate in eligible commodity derivatives products as 'Clients' and shall be subject to all rules, regulations and instructions, position limit norms as may be applicable to clients, issued by SEBI and stock exchanges, from time to time
  ii. FPIs belonging to categories viz., individuals, family offices and corporates will be allowed position limit of 20% of the client-level position limit in a particular commodity derivative contract

9.5. Hybrid Securities (REITs, InvITs and AIFs)

9.5.1. Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs)

FPIs have been permitted to invest in REITs and InvITs. REITs and InvITs are respectively regulated by SEBI under the SEBI (REITs) Regulations, 2014 and SEBI (InvITs) Regulations, 2014.

	REITs	InvITs
Concept	Special Trusts formed to serve as Collective Investment Vehicle, intending to invest the bulk of its money in Real Estate, in order to provide returns to the investors of such Trusts. "REITs assets" includes properties, whether freehold or leasehold basis, whether directly or through a holding company and/ or a SPV	Special Trusts formed to serve as Collective Investment Vehicle, intending to invest the bulk of its money in Infrastructure Projects, which would increase public participation in infrastructure rojects, reduce debt cost for the infrastructure development company, and allow investors access to a different class of portfolio to invest in
Issue of Units		
Conditions for Public Offer	— A REIT shall make an initial offer of its units by way of public issue only — Value of the REIT assets is at least INR 5 billion — The minimum number of unit holders forming part of public is 200. Sponsor, it's related parties and associates would not be included in this count. If the count is below 200, all subscription amount should be refunded	— An InvIT shall make an initial offer of its units by way of public issue only — Value of all the assets owned by InvITs is not less than INR 5 billion
Offer Size	— The initial offer size should be at least INR 2.5 billion, and — Units offered to the public through initial offer, should be at least: — 25% of the total outstanding units of the REIT and units being offered by way of offer document, if the post-issue capital at offer price is less than INR 16 billion — INR 4 billion, if post-issue capital is more than or equal to INR 16 billion and less than INR 40 billion — 10% of the total outstanding units of the REIT and units being offered by way of offer document, if the post-issue capital at offer price is more than INR 40 billion	— The offer size should be at least INR 2.5 billion, and — Units offered to the public through initial offer, should be at least: — 25% of the total outstanding units of the InvITs, if the post-issue capital at offer price is less than INR 16 billion — INR 4 billion, if post-issue capital is more than or equal to INR 16 billion and less than INR 40 billion — 10% of the total outstanding units of the InvITs, if the post-issue capital at offer price is more than INR 40 billion
Maximum Subscription	The maximum subscription from any investor other than sponsor, its related parties and its associates shall not be more than 25% of the total unit capital	25% of total unit capital, per investor in the initial offer

<table>
<tr><th></th><th>REITs</th><th>InvITs</th></tr>
<tr><td>Minimum Investors</td><td>200</td><td>Public Offer: 20
Private Placement: 5 (together holding at least 25% of total units at all times)</td></tr>
<tr><td>Allotment</td><td colspan="2">— Allotment of units or refund of money, should be within four working days from date of closure of issue
— Units can be issued only in demat form
— Price of units would be determined using book-building, or any other process specified by SEBI
— Failure to allot or list the unit, or refund the money, would make the manager liable to interest of 15% per annum till the allotment, listing or refund is completed
— Proportionate allotment in case of over-subscription</td></tr>
<tr><td>Offer for Sale</td><td colspan="2">Existing unit holders of REIT and InvIT are allowed to offer units for sale to public, if such units have been held by them for at least one year (up to the date of filing offer document)</td></tr>
<tr><td colspan="3">Listing and Trading</td></tr>
<tr><td>Mandatory Listing</td><td>Listing on recognised stock exchange mandatory after Initial Public Offer (IPO), within six working days from closure of offer</td><td>Listing on recognised stock exchange is mandatory:
— Privately placed units: within six working days from date of the closure of issue
— Publicly offered units: within six working days of closure of the IPO</td></tr>
<tr><td colspan="3">Preferential Issue and Private Placement</td></tr>
<tr><td>Definition</td><td colspan="2">Institutional Placement has been defined as preferential issue of units by a listed REIT/ InvIT only to Institutional Investors</td></tr>
<tr><td>Operational Modalities</td><td colspan="2">A listed REIT/ InvIT may make a preferential issue or institutional placement of units subject to following conditions:
— A resolution of the existing unitholders approving the issue of units is passed as per Regulation 22(6) of REITs Regulations/ Regulation 22(5) of InvIT Regulations
— Units of the same class, as those proposed to be allotted should have been listed on a stock exchange for at least six months before the date of notice convening meeting of unit holders for above resolution
— For Institutional Placement, the period for listing is at least six months before the date of notice
— The REIT/ InvIT has obtained in-principle approval of the stock exchange for listing of units proposed to be issued
— The REIT/ InvIT is in compliance with all the conditions for continuous listing and disclosure obligations under the REIT Regulations/ InvIT Regulations
— None of the promoters or partners or directors of the sponsors or manager or trustee of the REIT/ InvIT is a fugitive economic offender under Fugitive Economic Offenders Act, 2018
— The REIT/ InvIT cannot make any subsequent institutional placement within two weeks from the date of the prior institutional placement</td></tr>
</table>

	REITs	InvITs
Strategic Investor		
Definition	'Strategic Investor' means below investors who invest, either jointly or severally, at least 5% and not more than 25% of the total offer size of the REIT/ InvIT: — Infrastructure Finance Company registered with the RBI as a NBFC — Scheduled Commercial Bank — Multilateral and/ or Bilateral Development Financial Institution — Systemically important NBFC registered with the RBI — FPI — Insurance Company registered with IRDAI — Mutual Funds	
Operational Modalities	A REIT or InvIT may invite subscription from strategic investors subject to below: — The strategic investors, jointly or severally must invest a minimum of 5% and maximum of 25% of the total offer size — Investment manager/ manager of InvIT/ REIT should enter into a binding unit-subscription agreement with the strategic investor. Unit-subscription agreement can be terminated only if the issue fails to collect minimum subscription — Subscription price per unit by the strategic investors to be included in unit-subscription agreement and the amount should be deposited in a special escrow account, prior to opening of the public issue — The price at which the strategic investor has agreed to buy units should not be less than the issue price determined in the public issue — If the price determined in public issue is higher than the price at which allocation is made to strategic investors, the strategic investor is required to bring in additional amount within two working days, from determination of the price in public issue — If the price determined in public issue is lower than the price at which allocation is made to strategic investor, the strategic investor would get allotment at the price decided in the unit-subscription agreement i.e., the excess amount, over the price determined in public issue, shall not be refunded — The draft offer document/ offer document, should disclose details of the unit-subscription agreement — Units subscribed by strategic investors under the unit-subscription agreement will be locked-in for a period of 180 days from date of listing in public issue	

Notes:
— The minimum subscription under private placement of InvITs may be INR 250 million under certain circumstances
— Trading Lot for privately placed InvITs could be INR 20 million under certain circumstances

9.5.2. Alternative Investment Funds (AIFs)

Under SEBI (AIFs) Regulations, 2012, AIFs require registration with SEBI under one of three categories. While non-resident investors are permitted to invest in the three categories, FPIs are permitted to invest in only Category-III AIFs, up to 25% of the capital of the AIF. All investment conditions and restrictions as applicable to FPIs will be applicable for the Category-III AIF.

9.5.2.1. Private Placement

AIF is permitted to collect funds only by way of private placement.

9.5.2.2. Investment Restrictions and Conditions for AIFs

Category-I — VCFs, including Angel Funds — SME Funds — Social Impact Funds — Infrastructure Funds — Special Situation Funds	— Permitted to invest in investee companies or venture capital undertakings or in special purpose vehicles or in LLP or in units of other Cat-I of the same sub-category or Cat-II AIFs — A particular sub-category may invest in the units of the same sub-category — Permitted to engage in hedging, including credit default swaps in terms of the conditions as may be specified by SEBI from time to time — Cannot borrow funds directly or indirectly or engage in leverage, except for meeting temporary funding requirements for more than 30 days, on maximum four occasions in a year up to 10% of its investible funds — Can invest only up to 25% of the investable funds in one Investee Company directly or through investment in the units of other AIFs provided, large value funds for accredited investors may invest up to 50% of the investable funds in one investee company — In addition to these investment conditions, the AIF Regulations also prescribe a set of investment conditions in respect of each subcategory of Category-I AIFs
Category-II AIFs which don’t fit in Category-I or Category-III	— Cat-II AIF shall invest in investee companies or in the units of Cat-I or other Cat-II AIFs as may be disclosed in the placement memorandum — Cat-II AIF shall invest primarily in unlisted companies directly or through investment in units of other AIFs — Cannot borrow funds directly or indirectly or engage in leverage, except for meeting temporary funding requirements for maximum 30 days up to four occasions in a year and up to 10% of its investible funds — May engage in hedging, buying or selling credit default swaps subject to guidelines as specified by SEBI from time to time — May enter into an agreement with a merchant banker to subscribe to the unsubscribed portion of the issue or to receive or deliver securities in the process of market-making under the ICDR Regulations — Can invest only up to 25% of the investable funds in one Investee Company directly or through investment in the units of other AIFs provided, large value funds for accredited investors may invest up to 50% of the investable funds in one investee company
Category-III AIFs which employ diverse or complex trading strategies and may employ leverage including through investment in listed or unlisted derivatives	— Invest in securities of listed or unlisted investee companies or derivatives or complex or structured products or units of Cat-I, Cat-II and Cat-III AIFs — Deal in goods received in delivery against physical settlement of commodity derivatives — May buy or sell credit default swaps in terms of the conditions as may be specified by SEBI from time to time — Can engage in leverage or borrow subject to consent from investors in the fund and subject to a maximum limit as specified by SEBI — Regulated through issuance of directions by SEBI regarding areas such as operational standards, conduct of business rules, prudential requirements, restrictions on redemption and conflict of interest — Can invest only upto 10% of the investable funds in one Investee Company directly or through investment in the units of other AIFs, provided that large value funds for accredited investors may invest upto 25% of the investable funds in one investee company — Permitted to participate in Commodity Derivatives as ‘Clients’, subject to limit of maximum 10% of investible funds in one underlying commodity, disclosure in PPM and fulfilment of certain other conditions

Note:
"Special Situation Fund" means a Cat-I AIF that invests in special situation assets in accordance with its investment objectives and may act as a resolution applicant under the IBC code. It includes the following:

- Stressed loan available for acquisition as per terms of RBI (Transfer of Loan Exposure) directions or as per resolution plan approved under IBC Code or any other policies of RBI/ Government
- Security Receipts issued by an Asset Reconstruction Company (ARC) registered with the RBI
- Securities of Investee Companies:
  - Company's stressed loans are available as per the stressed loan provisions
  - Security Receipts issued by an ARC, registered with the RBI, against the company borrowings
  - Credit rating of the financial instrument of the company is downgraded to 'D' or equivalent
  - Assets as notified by SEBI

9.5.2.3. Listing

- Units of close-ended AIF may be listed on stock exchange subject to a minimum tradable lot of INR 10 million
- Listing of AIF units shall be permitted only after final close of the fund or scheme

9.5.2.4. Eligible Investors

The below mentioned investors may acquire, purchase, hold, sell or transfer units of an AIF:

- Indian Investors
- Foreign investor except an individual who is a citizen of or any other entity which is registered/ incorporated in any country which shares land border with India
- A Non-Resident Indian (NRI)
- Other AIFs
- A FPI is permitted up to 25% stake in a Cat-III AIF

9.5.3. Funding of Investments in REITs, InvITs and AIFs

FPIs will be required to make fresh inward remittance for purchase of units of Investment Vehicles such as REITs, InvITs and Alternative Investment Funds (AIFs). Balances in Special Non-Resident Rupee (SNRR) Account shall not be used for making investment in units of such Investment Vehicles.

9.6. Reporting Requirements

The table below summarises the reporting requirements for FPI.

Report FPIs	Reporting To	Frequency	Responsibility	Remarks
Assets Under Custody	SEBI and Depositories (NSDL, CDSL)	Monthly	Custodian	
Equity and Debt Transactions	SEBI, RBI and Depositories (NSDL, CDSL)	Daily	Custodian	
CSGL reporting of transactions	RBI	Weekly	Custodian	
Original maturity-wise FPI holdings in Debt	SEBI	Monthly	Custodian	
Residual maturity reporting	SEBI, RBI	Monthly, Weekly	Custodian	
Debt Limit Reporting (Corporate Bonds)	Depositories (NSDL, CDSL)	Daily	Custodian	To facilitate calculation of daily debt utilisation limits of FPIs, the limits are published at EOD by the depositories on their website
Ownership pattern of G-Secs by FPI	RBI	Daily	Custodian	
FPI holding in Corporate Debt and G-Secs	RBI	Fortnightly	Custodian	Holding with details of purchase/ sale at an ISIN level for each FPI is reported
Client-wise Debt Holding	Depositories (NSDL, CDSL)	Monthly	Custodian	
Coupon and Bond Redemptions	RBI	Quarterly	Custodian	
Foreign Exchange Inflow and Outflow details	RBI	Weekly and Monthly	AD Category-I Bank	
Balances for FPI Clients	RBI	Weekly	AD Category-I Bank	
Non-trade Data (Dividend, Interest, etc.)	RBI	Quarterly	AD Category-I Bank	
Breach of Permitted Position Limits in Currency Derivative Segment	SEBI, RBI	On occurrence of the breach	Custodian Bank	

Report FPIs	Reporting To	Frequency	Responsibility	Remarks
SEBI (SAST) Regulations, 2011	Please refer the SAST Regulations for details		FPI/ FDI/ FVCI	
Insider Trading Regulations	To the Company	Types of disclosures as per provisions of the Act — Initial Disclosures — Continual Disclosures — Disclosures by other connected persons	FPI/ FDI/ FVCI	
Issuance of ODIs: — Transaction Reporting (Equity, Debt and F&O) — Reporting of complete transfer trails of ODIs — Summary Report (As per the prescribed format)	SEBI	Monthly	FPIs issuing the ODIs	
Reconfirmation of ODI positions	SEBI	Semi-annual	ODI-issuing FPI	Exception reporting: Only cases of divergence from reported monthly data
Periodic Operational Evaluation Certificate	SEBI	Annual	CEO or equivalent of the Issuer	

9.7. Investment Guidelines – Offshore Derivative Instruments (ODIs)

Offshore Derivative Instruments/ Participatory Notes (P-Notes) is issued overseas by a SEBI-registered Category-I FPI, against the Indian securities held under their FPI license in India.

9.7.1. Conditions for Issuance of ODIs under FPI Regulations, 2019

I. Issue of ODIs

— Can be issued by Category-I FPIs
— Can be issued only to those who are eligible to be Category-I FPIs

II. Regulatory Fees

Each ODI subscriber need to remit USD 800 + GST @18% to the FPIs issuing ODIs. The FPIs to deposit the fees with SEBI once every three years.

III. KYC Requirements

KYC requirement are as follows:

	Document required
ODI Subscriber	Constitutive Documents
	Proof of Address
	Board Resolution
Beneficial Owner (BO) of ODI Subscriber	Beneficial Owner List
	Proof of Identity
	Proof of Address
	Document required
Senior Management (Whole Time Directors/ Partners/ Trustees etc.)	Beneficial Owner List

— The prescribed KYC documents are required to be maintained with the ODI issuers at all times and be made available to SEBI on demand
— ODI issuing FPI shall identify and verify the BOs in the ODI subscriber entities
— BO and intermediate shareholder/ owner entity with holdings equal and above the materiality thresholds in the ODI subscriber need to be identified through look-through basis. The list of BO to be maintained in same manner as applicable to FPI

Sr. No.	Name and Address of the Beneficial Owner (Natural Person)	Date Of Birth	Tax Residency Jurisdiction	Nationality	Whether Acting Alone or Together Through One or More Natural Persons as Group, with their Name and Address	BO Group's Percentage Shareholding/ Capital/ Profit Ownership in the FPI	Tax Residency Number/ Social Security Number/ Passport Number of BO (provide any)
1							
2							

- ODI issuing FPIs shall also continue to collect identification document number (such as passport, driving license) of the BOs of ODI subscribers
- For intermediate material shareholder/ owner entities, name, country and percentage holding shall also be disclosed as per Annexure E

Ownership Basis

Information of Intermediate Material Shareholder/ Owner - on Ownership Basis Name	Direct/ Indirect Stake	Names of the Entities through which the stake in the FPI is held indirectly	Percentage Stake Held in the Applicant	Country/ Nationality	Individual/ Non-Individual

Control Basis

Name	Method of Control (Give Details Including Names of the Intermediate Structures, if any, through which Control is Exercised)	Percentage Control on the Applicant, if applicable	Country/ Nationality	Individual/ Non-Individual

- KYC to be reviewed at periodic intervals:
  - Annually for high-risk clients
  - Every three years for all others
- ODI-issuing FPIs shall file suspicious transaction reports if any, with the Indian Financial Intelligence Unit, in relation to the ODIs issued by it

IV. Clubbing of Investment Limits for ODIs

- Two or more ODI subscribers having common ownership, directly or indirectly, of more than 50% or common control shall be considered together as a single ODI subscriber
- An entity holding position as a FPI as well as ODI subscriber, in the underlying Indian company will be clubbed together for monitoring the investment limit of below 10% of the total paid-up capital of the company on a fully diluted basis

V. Transfer of ODIs

- ODI issuer shall ensure that any transfer of ODIs issued by it or on its behalf is carried out only to persons fulfilling the criteria under 9.7.1(I) and 9.7.1(III) mentioned above
- Prior consent of the ODI-issuing FPI should be obtained for such transfer, unless the person to whom the ODIs are to be transferred to are pre-approved by the FPI

VI. Disclosure to SEBI

FPI to fully disclose to SEBI any information concerning the terms of and parties to ODI, entered into by it relating to any securities listed or proposed to be listed in any stock exchange in India.

VII. Threshold for Determination of ODI

A threshold for trades with non-proprietary indices (e.g., MSCI World or MSCI EM Asia) as underlying shall be taken as 20%. Those trades for which the materiality of Indian underlying is less than 20% of the index would not be regarded as ODIs. However, trades with custom baskets as underlying if hedged onshore would always be regarded as ODIs regardless of percentage of Indian component that is hedged onshore in India.

VIII. Prohibition from Issue of ODI with Underlying as Derivatives:

FPIs shall not be allowed to issue ODIs referencing derivatives. Further, no FPI shall be allowed to hedge their ODIs with derivative positions on stock exchanges in India, except as under:

— Derivative positions that are taken on stock exchanges by the FPI for 'hedging of equity shares' held by it in India, on a one-to-one basis

— An ODI issuing FPI may hedge the ODIs referencing equity shares with derivative positions in Indian stock exchanges, subject to a position limit of 5% MWPL for single stock derivatives. The permissible position limit for stock index derivatives is higher of INR 1 billion or 5% of open interest

The term "hedging of equity shares" means taking a one-to-one position in only those derivatives which have the same underlying as the equity share.

Please refer to the below table:

Sr. No.	ODI Reference/ Underlying	ODI Issuer's Holdings in India against the ODI	Allowed	Exception
1	Cash Equity/ Debt Securities/ Any Permissible Investment by FPI (other than Derivatives)	Cash equity/ debt securities/ any permissible investment by FPI (other than derivatives), for life of ODI	Yes	None Separate registration required to undertake any proprietary derivative transactions by such ODI-issuing FPI
2	Cash equity	Cash equity on date of writing the ODIs and then move to derivative positions thereafter	No	Allowed through separate FPI registration, subject to the above 5% limit
3	Cash equity	Derivative on date of writing the ODI or thereafter except in manner referred at (2) above in table	No	None
4	Derivatives	Derivatives	No	Allowed through separate FPI registration, if FPI is holding cash equity and has short future position exactly against the cash equity in the same security (one-to-one basis). FPI to retain the cash equity for the life of ODI
5	Derivatives	Cash equity	No	None

An ODI issuing FPI, which hedges its ODI only by investing in securities (other than derivatives) held by it in India, cannot undertake proprietary derivative positions through the same FPI registration. Such FPI must segregate its ODI and proprietary derivative investments through separate FPI registrations. Such separate registrations should be in the name of FPI with "ODI" as suffix under same PAN. Where such addition is being requested for an existing FPI, this addition of suffix will not be considered change in name of FPI and DDP may process this request and issue a new FPI registration certificate. An ODI issuing FPI cannot co-mingle its non-derivative proprietary investments and ODI hedge investments with its proprietary derivative investment or vice versa in the same FPI registration.

9.7.2. Reporting of Issuance of ODIs/ Participatory Notes by FPIs

ODI issuing FPI have to submit reports as per specified format and frequency:
- A monthly summary report and transaction details by the 10th of every month for the previous month's transactions
  - The ODI issuers are required to capture the details of all the intermediate transfers during the month in the monthly report submitted to SEBI
  - FPIs shall commence reporting to SEBI only from the month they start issuing ODIs

Manner of submission:
  - To be sent by the compliance officer of the respective FPI
  - Password secured excel format via email (odireporting@sebi.gov.in). The password should be sent in a subsequent email
  - The subject line should read – 'ODI/ PN Report of [FPI Name and Registration No.] for the month of [...]'

Reconfirmation of ODI positions:
- Reconfirmation of positions by ODI issuers to be done on a semi-annual basis and any divergence from reported monthly data, to be informed to SEBI in the format specified
- Annual certificate on periodic operational evaluation, controls and procedures to be submitted (within one month of end of every calendar year) to SEBI duly signed by the Chief Executive Officer (CEO) or equivalent of the ODI issuing FPI

9.8. Legal Entity Identifier Code

The LEI code has been conceived as a measure to improve quality and accuracy of financial data systems for better risk management post the Global Financial Crisis. It is designed to create a global reference data system that uniquely identifies every legal entity or structure, in any jurisdiction, that is party to a financial transaction. The LEI is a 20-character unique identity code assigned to entities who are parties to a financial transaction.

LEI can be obtained from any of the Local Operating Units (LOUs) accredited by the Global Legal Entity Identifier Foundation (GLEIF). List of LOUs is provided by GLEIF and can be accessed by using the below link:
https://www.gleif.org/en/about-lei/get-an-lei-find-lei-issuing-organizations

In India, LEI code may be obtained from Legal Entity Identifier India Limited (LEIL):
https://www.ccilindia-lei.co.in

RBI has been mandating LEI in phased manner since 2017.

All entities regulated by RBI, SEBI, Insurance Regulatory and Development Authority of India (IRDAI), Pension Fund Regulatory and Development Authority (PFRDA) and all corporates participating in OTC market for INR Interest Rate Derivatives, Foreign Currency Derivatives and Credit Derivatives in India are mandated to have LEI. This was extended to large corporate borrowers, based on exposure to Scheduled Commercial Banks and later for participation in non-derivatives market, as below:
- Government Securities Market
- Money Market (market for any instrument with a maturity of one year or less)
- Non-Derivative Forex Market (transactions that settle on or before the spot date)

Further RBI has mandated use of LEI for all payment transactions of value INR 500 million and above, undertaken by entities (non-individuals) using RBI-run Centralised Payment Systems (Real Time Gross Settlement (RTGS) and National Electronic Fund Transfer (NEFT)) from April 1, 2021.

Further, SEBI has now mandated LEI for all non-individual FPIs effective July 2023.

10 Clearing and Settlement

10.1. Overview

The core activities involved in clearing and settlement function are:

- Trade capture
- Trade matching and confirmation
- Determination of obligation
- Pay-in of funds and securities
- Pay-out of funds and securities
- Risk management

10.2. Equities Clearing and Settlement

Settlement Cycle – Equity markets in India moved from T+2 to T+1 settlement cycle effective January 27, 2023.

Clearing participants and their functions in the settlement of an equity transaction on exchange:

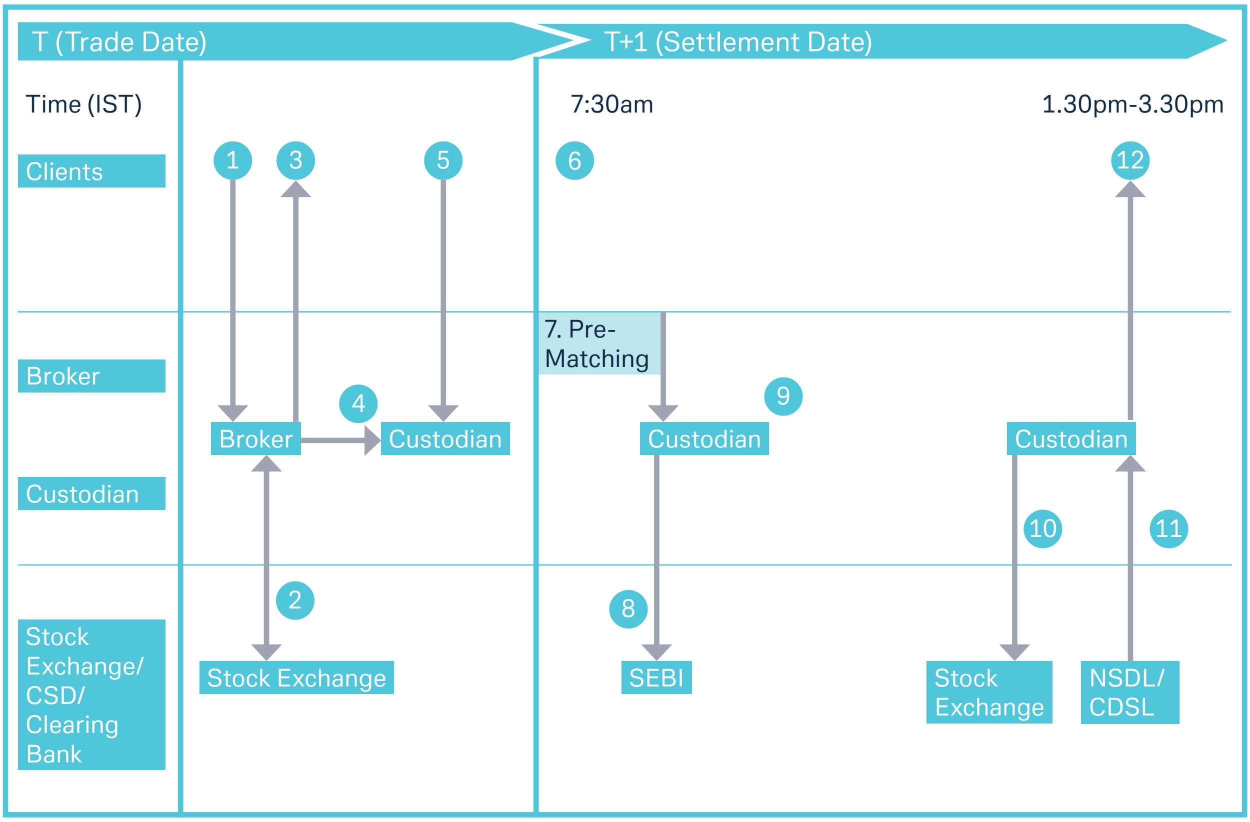
- Stock Exchanges like National Stock Exchange (NSE), Bombay Stock Exchange (BSE) and Metropolitan Stock Exchange (MSE): Provide a trading platform to its Trading Members (TMs)
- Clearing Corporations (CCs) like the NSE Clearing Limited (NCL)/ Indian Clearing Corporation Limited (ICCL)/ Metropolitan Clearing Corporation of India Limited (MCCIL): Responsible for post trade activities on the stock exchange. Clearing and settlement of trades and risk management are its core central functions. CCs determine the funds/ securities obligations of the Clearing Member (CM) on behalf of their TM/ investor client and ensure that members meet their obligations
- Trading Members (TMs): Execute trades on the stock exchange and assist with settlement of trades. They have the option to give up the trades to custodian CMs of institutional investors for settlement
- Clearing Members (CMs): Are responsible for settling the obligations on behalf of the TMs as determined by CCs. CMs have to make available funds and/ or securities in the designated accounts on the settlement day
- Custodians: Custodian as CMs settle trades assigned to them by TMs on behalf of the institutional investors
- Clearing Banks: Settlement of funds takes place through clearing banks. All CMs need to have their cash account opened with one of the clearing banks
- Depositories like National Securities Depositories Limited (NSDL) and Central Depository Services Limited (CDSL): Provide electronic transfer of securities and help in settlement of the dematerialised securities

I. Interoperability of Clearing Corporations (CCs):
Since the introduction of interoperability in 2019, the CMs need to designate a CC through which the settlement of all trades will be conducted, irrespective of the exchange where the trade was executed. This allows for greater operational flexibility in terms of netting of trades across exchanges, cross utilisation of margin, etc.

II. Settlement of Institutional/ Non-Institutional Trades – Listed Securities:
T+1 Settlement Cycle: All equity trades executed on the floor of the stock exchange on day T (trade date) flow to the custodian for confirmation on day T. Custodians are required to confirm the trade to their designated CC for settlement, latest by T+1 7.30 am (IST). For non-institutional trades, custodians are required to collect margins upfront and report to CC, on T date. Confirmation of trades can be done on T latest by 7.30 pm. All confirmed trades will have to be settled by the custodian on T+1

Broad pictorial representation of the settlement flow is as below:

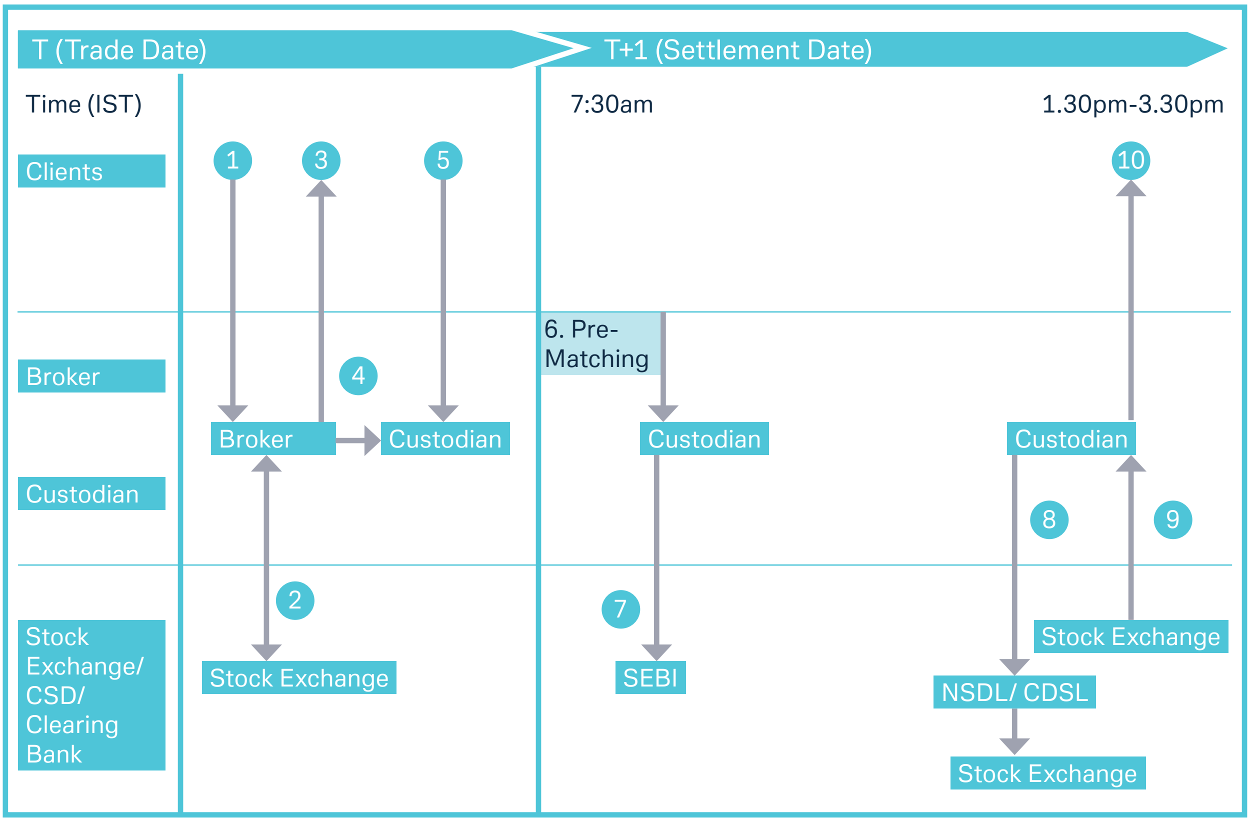
Settlement Flow - Equity Purchase Trade (T+1 Cycle)



1. Client sends trade instruction to broker
2. Trade executed by broker on the exchange
3. Trade confirmation sent by broker to the client
4. Broker sends Contract Note to custodian via STP gateway on day T
5. Client sends settlement instruction to custodian on day T/ T+1 morning
6. Client to arrange for INR funds for full settlement
7. Pre-matching done and trade confirmation by 7.30 am IST on T+1 by custodian. For non-institutional clients' trades, margins need to be collected upfront on T date, and trade confirmation latest by 7.30 pm on T day
8. Reporting of transactions to SEBI
9. Client's bank account maintained with custodian bank debited for settlement funding on T+1; for non-institutional clients, the amount will be debited on T date

10. Payment of settlement value to the exchange through the clearing bank
11. Pay-out of securities via depositories and credited to the client's security account maintained by the custodian
12. Settlement confirmation sent to client

Settlement Flow - Equity Sale Trade (T+1 Cycle)



1. Client sends trade instruction to broker
2. Trade executed by broker on the exchange
3. Trade confirmation sent by broker to the client
4. Broker sends Contract Note to custodian via STP gateway on day T
5. Client sends settlement instruction to custodian on day T/ T+1 morning
6. Pre-matching done and trade confirmation by 7.30 am on T+1 by custodian. For non-institutional clients' trades, early pay-in of securities to be done on T date and trade confirmation latest by 7.30 pm on T day
7. Reporting of transactions to SEBI
8. Pay-in of securities by 10.30 am to the depositories
9. Pay-out of funds received via the clearing bank
10. Credit proceeds to the client's account and settlement confirmation sent to the client

III. Margins in Cash Market

Post the market moving to T+1 settlement cycle, there are no margins applicable to institutional trades (i.e. FPIs registered under Category-I and Category-II, except Individuals, Corporate Bodies, and Family Offices). Upfront margins are applicable to non-institutional trades. The key margins applicable are:

— Value-at-Risk (VaR) Margin
— Extreme Loss Margin (ELM)

- Mark-To-Market (MTM) margin
- Peak Margin/ Upfront Margin
- Early pay-in - Non-institutional investors are permitted to make early pay-in of funds and securities to avoid margins on trades. Trades for which early pay-in has been affected, will not be subject to the margins prescribed above
- FPIs in Category-II that are Corporate Bodies, Individuals or Family Offices are margined on an upfront basis (T+0), i.e., client will have to pre-fund their account to the extent of applicable margins before taking position in the market on T Day and report to CC
- Non-reporting of margin collection, short collection of margin from client or false reporting would be liable for disciplinary action/ penalty

IV. Shortage Handling

i. Buy-In: In the event that a seller does not deliver the shares at the exchange, a buy-in (auction) is conducted by the exchange. The exchange invites bids for sale for the shortage quantity and the difference in amount (i.e., between the buy-in price and the original sale price) is charged to the seller by the stock exchange. The buy-in is conducted on T+1, and the buy-in settlement occurs on T+2 on the BSE and the NSE. CCs have been provided the flexibility to decide on the time for conducting the settlement auction session on or before T+2 day

ii. Close-Out: Where a buy-in does not result into delivery of the quantity necessary to meet the securities shortage, the exchange would close out the shortages and deliver cash to the broker receiving short. The close-out price is the highest price prevailing from the Trade date till the day of closing-out or 20% above the official closing price on the auction day, whichever is higher

V. Settlement of Unlisted Securities

i. The share transfer in case of unlisted equity happens off-market between the buyer and seller. The transactions need to comply with the conditions specified in the respective schedules of the FEMA Non-Debt Rules. The seller has to pay stamp duty upfront in case of off-market transactions. It is paid by the seller to the Depository either through their custodian or directly. Kindly refer section 13.5 for details on stamp duty rates
ii. FPIs are not permitted to invest in unlisted securities

10.3. Debt Securities

10.3.1. Government Securities (G-Secs), Treasury Bills (T-Bills) and State Development Loans (SDL)

Secondary market deals in above securities are either executed through the anonymous order matching platform, i.e., Negotiated Dealing System-Order Matching (NDS-OM) or through the OTC market. All OTC trades are reported to RBI-SGL through NDS-OM of RBI. Clearing Corporation of India Limited (CCIL) is the CC for these deals and acts as a Central Counterparty (CCP) to the deals, thus providing settlement guarantee for transactions. G-Secs can also be traded on the exchange

NDS-OM is a screen-based electronic anonymous order matching system, for secondary market trading in G-Secs, owned by RBI. Presently the membership of the system is open to entities like Banks, Primary Dealers, Insurance Companies, Mutual Funds, etc. i.e., entities who maintain SGL accounts with RBI. These are Primary or Direct Members (PM) of NDS-OM and are permitted by RBI to become members of NDS-OM

RBI has permitted certain PM financial institutions like Banks and PDs to open and maintain Gilt Accounts for their constituents, known as Gilt Account Holders (GAH). Such accounts are termed as Constituent Subsidiary General Ledger (CSGL). CSGL account holders also execute bilateral trades in the G-Secs. Reporting for such trades is done on the NDS-OM reporting module through the entities providing the CSGL service

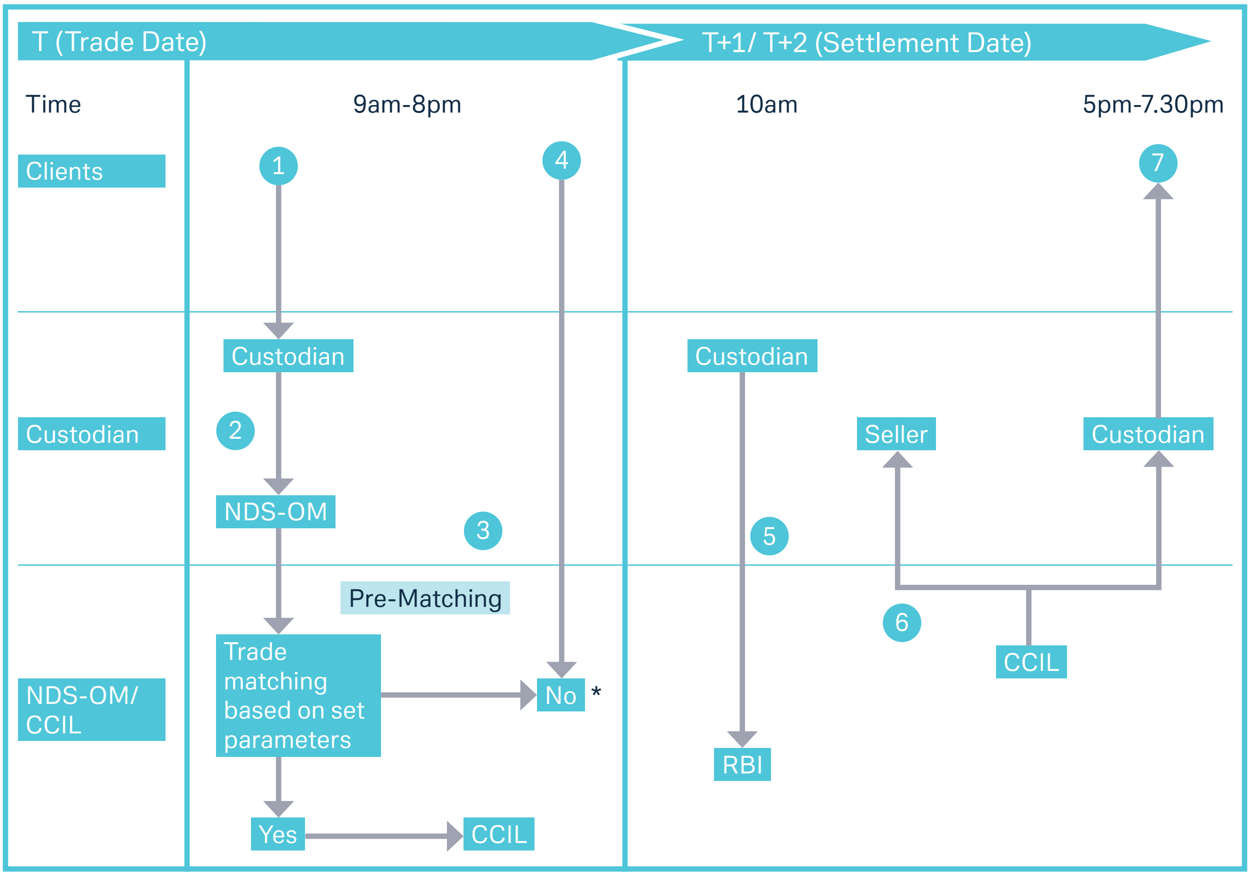
I. Holding of Government Securities

- RBI as Depository: All the RBI regulated entities have to hold and transact in G-Secs only in dematerialised or book entry (SGL) form. The Public Debt Office (PDO) of the RBI, Mumbai acts as the registry and central depository for the G-Secs. The holders can maintain their securities in either of the two ways:
  - SGL Account: RBI offers Subsidiary General Ledger (SGL) account facility to direct members (predominantly banks, primary dealers and large financial institutions) who can maintain their securities in SGL accounts held with the PDO of the RBI
  - Gilt Account: As the eligibility to open and maintain an SGL account with the RBI is restricted, an investor has the option of opening a Gilt Account with a bank or a Primary Dealer permitted to open accounts of constituents, called as Constituents' Subsidiary General Ledger (CSGL) Account with the RBI. Under this arrangement, the Bank or the Primary Dealer, acts as a custodian of the Gilt Account Holders (GAH). They would maintain the holdings of constituents in a CSGL account (which is also known as SGL-II account) with the RBI. Receipt of maturity proceeds and periodic interest proceeds are credited to the current account of the custodian bank/ PD with the RBI and the custodian (CSGL account holder) immediately passes on the credit to the GAH in their books
  - Demat Account with Indian Depositories: Investors are permitted to hold government securities in demat account opened with the depositories (NSDL/ CDSL). This facilitates trading of G-Secs on stock exchanges

II. Clearing and Settlement

Settlement of all outright secondary market transactions in government securities is standardised to T+1 with the only exception being settlement of trades done by FPIs. OTC transactions in G-Secs by FPIs can be settled on either T+1 or T+2 basis as mutually agreed between the counter-parties. However, all such transactions should be reported on NDS-OM reporting platform on the trade date itself. All the other conditions with respect to settlement shall continue to apply for transactions settled on T+2 basis. Transactions executed by FPIs through the NDS-OM web-platform will settle on T+1 basis. FPIs have been permitted to trade in G-Secs directly without availing the services of a broker

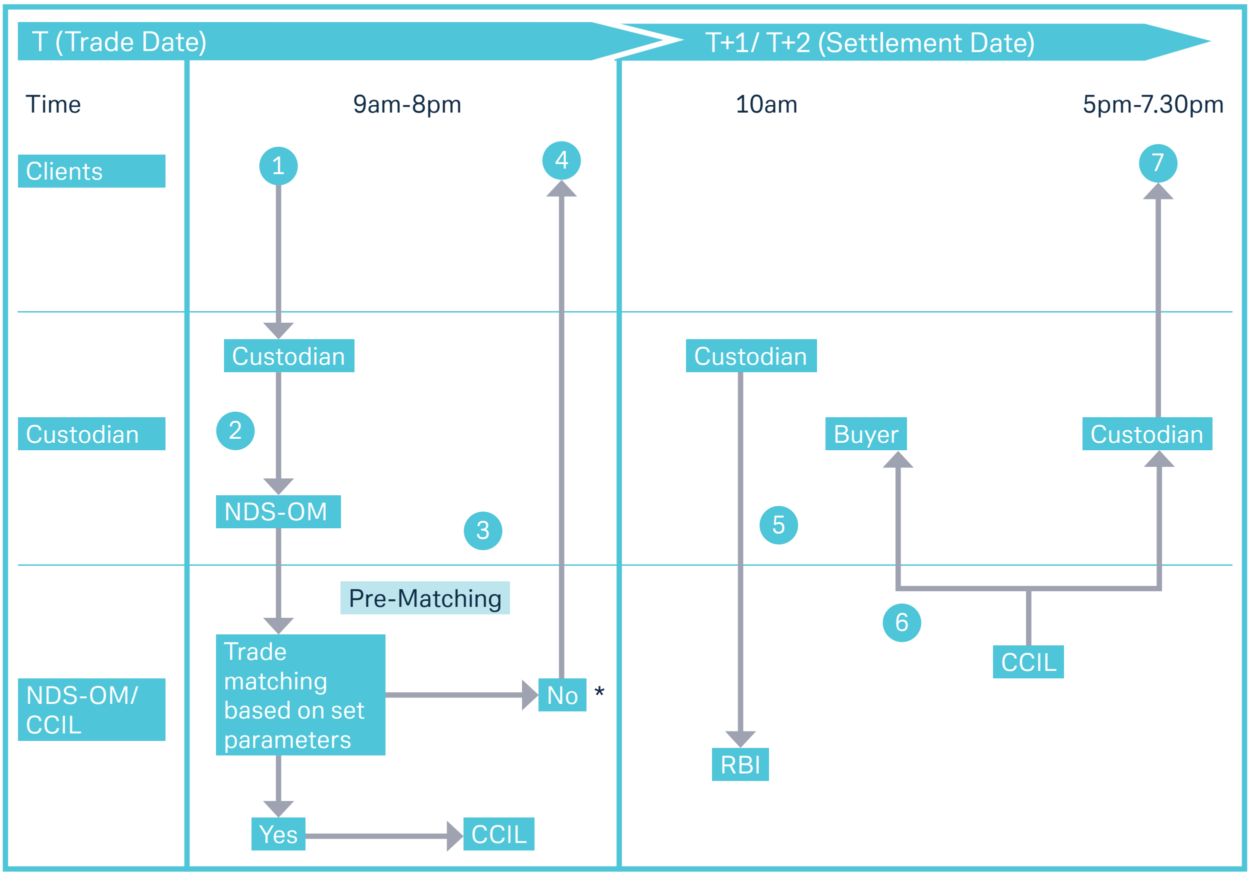
Settlement Flow – G-Secs Purchase Transaction



1. Client sends trade instructions to the custodian
2. Reporting (by buyer and seller) of trades on NDS-OM to be completed within 15 minutes of trade execution and no later than 5 pm on the trade date. FPIs have been permitted to report trade within three hours after the close of trading hours for G-Secs market
3. Pre-matching is done with the counter-party based on set parameters. If matched, trades are transferred to CCIL for settlement
4. In case matching fails, intimation sent to the client to revise trades
5. Debit settlement amount from the client's account and make payment to RBI on settlement date (T+1 or T+2)
6. CCIL transfers funds to the seller and securities to the buyers CSGL account for further credit to client account by custodian
7. Settlement confirmation sent to the client

*Trades remain unmatched in the NDS-OM platform and are cancelled at the end of the day.

Settlement Flow – G-Secs Sale Transaction



1. Client sends trade instructions to the custodian
2. Reporting (by buyer and seller) of trades on NDS-OM to be completed within 15 minutes of trade execution and no later than 5 pm on Trade date. FPIs have been permitted to report trade within three hours after the close of trading hours for G-Secs market
3. Pre-matching done with the counter-party based on set parameters. If matched, trades are transferred to CCIL for settlement
4. In case matching fails, intimation sent to the client to revise trades
5. Securities are debited from the client's Gilt account
6. CCIL transfers funds to the seller and securities to the buyers CSGL account for further credit to client gilt account held with custodian
7. Credit client's cash account and send a settlement confirmation to the client

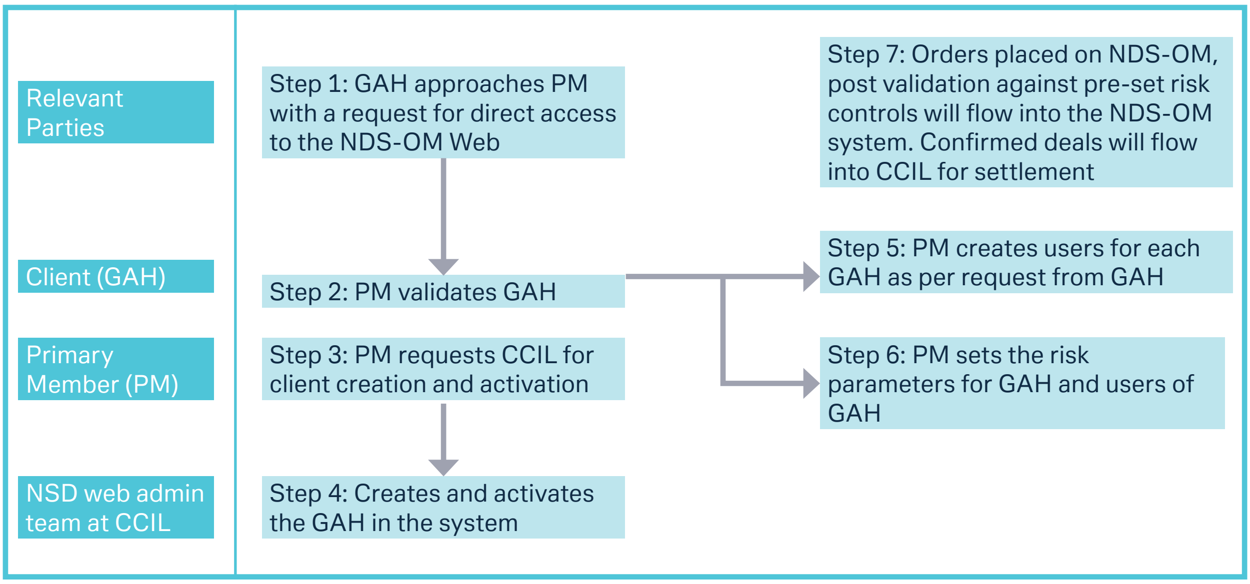
*Trades remain unmatched in the NDS-OM platform and are cancelled at the end of the day.

III. NDS-OM Web Module

To enhance the access of GAH to NDS-OM, an internet-based web application is provided to such clients who can have direct access to NDS–OM. The internet-based utility permits GAHs to directly trade (buying and selling) in G-Secs in the secondary market. The access is, however, subject to controls by respective PM with whom GAHs have gilt account and current account.

On behalf of GAHs, PMs needs to submit an access request form to CCIL. The request would be formally addressed to RBI. However, CCIL has been authorised to directly receive and process Access Request Form from PMs for operational convenience. A detailed operation flow is given below:

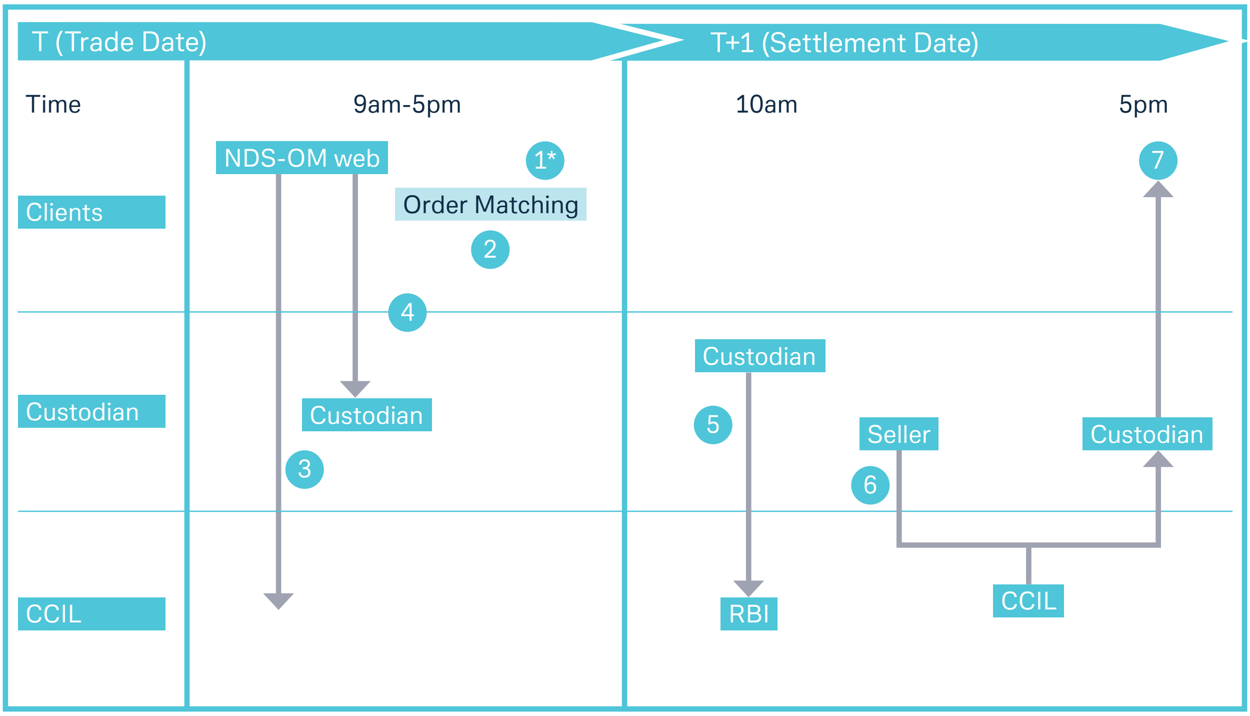
Steps in Granting NDS-OM Web Access to the Client



To prevent unauthorised access and to ensure non-repudiation, RBI has stipulated that a Digital Signature Certificate (DSC) has to be obtained for each GAH User. DSC has to be installed in an e-token which provides the second layer of security. Before a GAH User is created by the PM, the PM has to ensure that the DSC and the e-token have been procured for the GAH User.

The facility of NDS-OM web module has been made available to FPIs. Trades by FPIs using NDS-OM web module would be settled on T+1 basis.

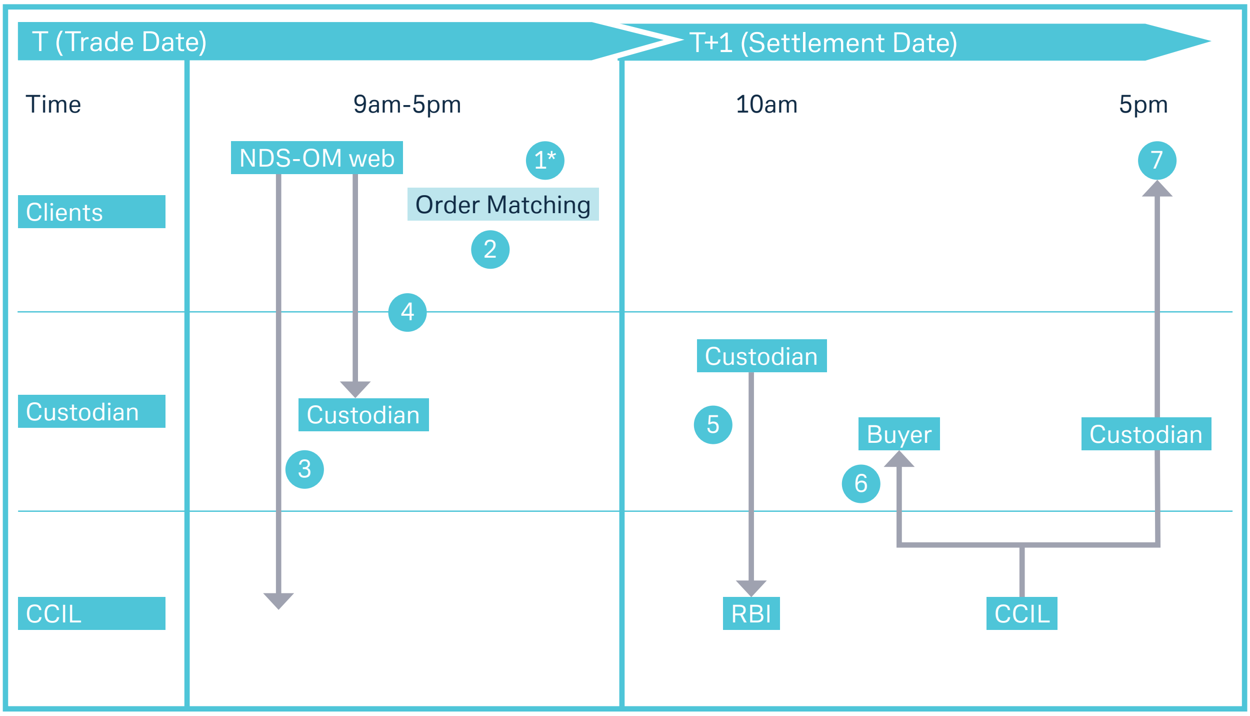
Settlement Flow – G-Secs Purchase Executed Using NDS-OM Web Module



1. Client executes the order on NDS-OM web module
2. Trade orders are matched by the system on predefined criteria to form matched trades
3. Trades matched on NDS-OM shall be automatically sent by the system to CCIL for settlement
4. Instructions of matched trades are sent to the custodian for settlement
5. Debit settlement amount from the client's account and make payment to RBI on settlement date
6. CCIL transfers funds to the seller and securities to the buyers CSGL account for further credit to client account held with custodian
7. Settlement confirmation sent to the client

*Trade orders that remain unmatched in the NDS-OM web platform are cancelled at the end of the day

Settlement Flow – G-Secs Sale Executed Using NDS-OM Web Module



1. Client executes the order on NDS-OM web
2. Trade orders are matched by the system on predefined criteria to form matched trades
3. Trades matched on NDS-OM shall be automatically sent by the system to CCIL for settlement
4. Instructions of matched trades are sent to the custodian for settlement
5. Securities are debited from the client's Gilt account
6. CCIL transfers funds to the seller and securities to the buyers CSGL account for further credit to their Gilt account held with custodian
7. Settlement confirmation sent to the client

*Trade orders that remain unmatched in the NDS-OM web platform are cancelled at the end of the day

Advantages of using NDS-OM web module for the FPI investors:
— GAH will have access to the same order book of NDS-OM as the Primary Members. GAH will be in a better position to control their orders (place/ modify/ cancel/ hold/ release) and will have access to real-time live quotes in the market
— Since notifications of orders executed as well as various queries are available online to the GAH, they are better placed to manage their positions

IV. Margins in G-Secs Market

Risk Management Process for G-Secs: During the settlement processes, CCIL, as CC, assumes certain risks which may arise due to a default by a member to honour its obligations. Settlement being on Delivery versus Payment (DvP) basis, the risk from a default is the market risk (change in price of the concerned security). CCIL processes are designed to cover the market risk through its margining process by collection of Initial Margin and Mark-to-Market (MTM) Margin (both Intraday and End of Day) from members in respect of their outstanding trades.

Initial Margin is collected to cover the likely risk from future adverse movement of prices of the concerned securities. MTM Margin is collected to cover the notional loss (i.e. the difference between the current market price and the contract price of the security covered by the trade) already incurred by a member. Both the margins are computed trade-wise and then aggregated member-wise. In case of an unusual volatility in the market, CCIL may also collect volatility margin from the members.

Members are required to keep balances in Settlement Guarantee Fund (SGF) in such a manner that the same is enough to cover the requirements for both Initial Margin and MTM Margin for the trades done by such members. In case of any shortfall, CCIL makes margin call and the concerned member is required to meet the shortfall before the specified period of the next working day. Members' contribution to the SGF is in the form of eligible G-Secs/ T-Bills and cash, with cash being not less than 10% of the total margin requirement at any point of time.

10.3.2. Investing in Corporate Debt

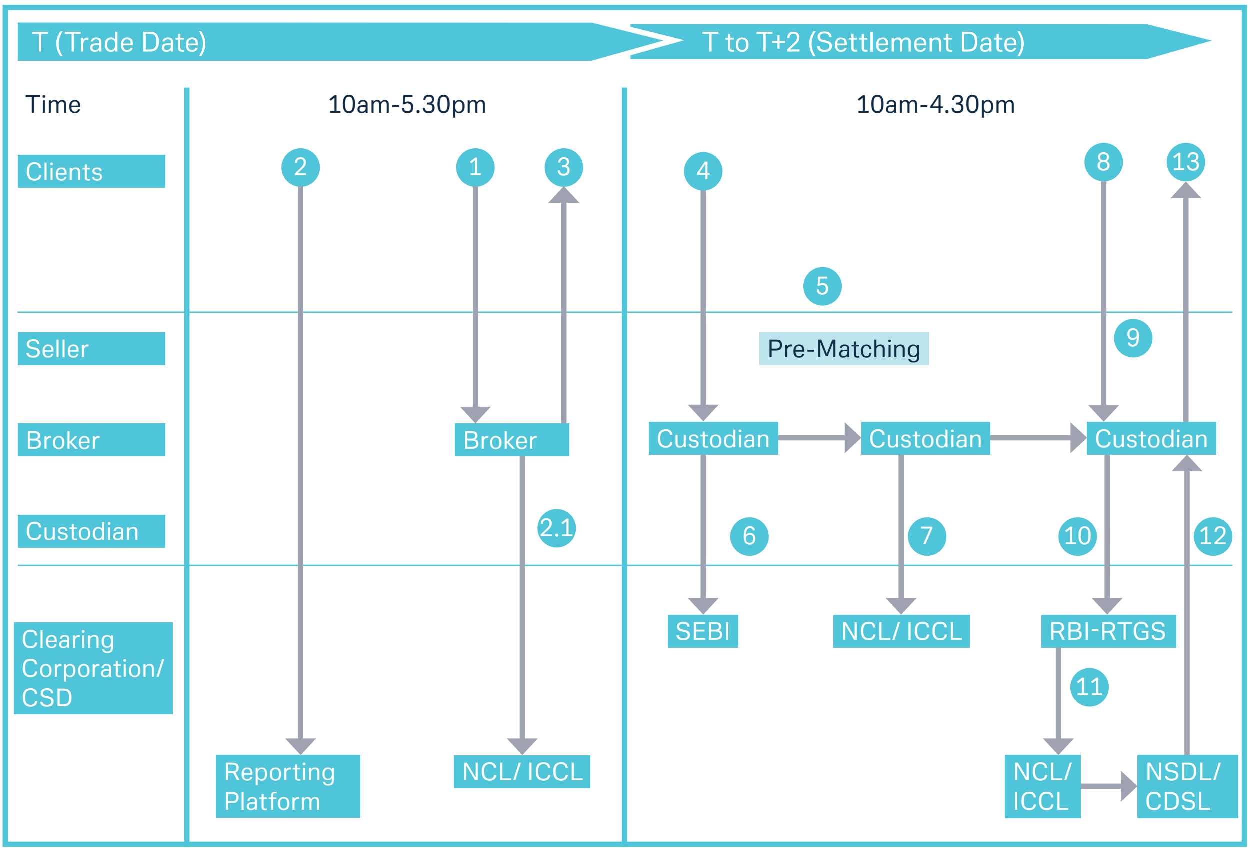
10.3.2.1. OTC Corporate Bond Trades

Trading in corporate bonds, including securitised debt can be executed on recognised stock exchange or in the OTC market. Most of the trades in the corporate debt market are executed bilaterally between the parties to the deal. Entities regulated by SEBI, RBI, and Insurance Regulatory and Development Authority of India (IRDAI) are required to report their corporate debt trades on the trade reporting platform of the exchanges and settle through the CC of the exchanges i.e. through the NCL and ICCL – CCs of the NSE and BSE respectively. OTC trades, reported on exchange and settled through the CC are not guaranteed by the CC and the settlement is on gross basis. The settlements of corporate bond trades are carried out between Monday to Friday for three settlement cycles viz., T+0, T+1 and T+2. FPIs have the option to trade directly in the corporate market without availing the services of a broker. Margins are not payable for corporate bond deals done in the OTC market that are reported and settled through the exchange CCs.

The bond reporting platform offered by NSE is known as Corporate Bond Reporting and Integrated Clearing and Settlement (CBRICS) platform.

BSE uses the New Debt Segment Reporting and Settlement and Trading (NDS-RST) platform as its debt reporting platform.

Settlement Flow – Purchase Trade Corporate Bonds

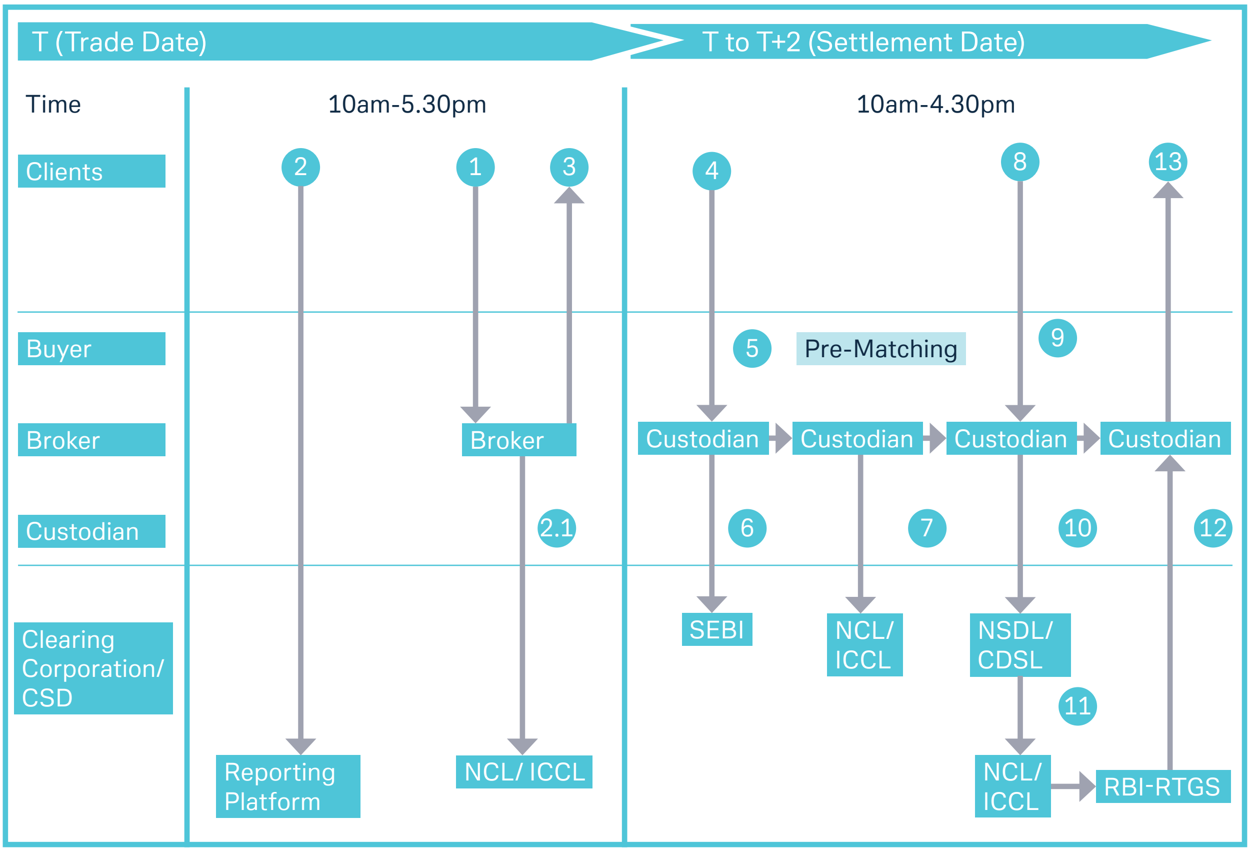


1. Trade instructions sent by client to the broker or directly agreed with a counterparty
2. Trade reported on exchange reporting platform

2.1. Broker reports trades to the exchange

3. Trade confirmation to the client along with broker contract note
4. Settlement instructions as per agreed timeline
5. Pre-matching between client instructions and entry on bond reporting platform
6. Reporting of trades to SEBI
7. Trades confirmed on NCL and ICCL
8. Debit client's cash account
9. Pay-out of funds to the clearing corporations through RBI-RTGS
10. Settlement via the clearing corporations
11. Delivery of bonds and credit to the clients account through the Depository
12. Settlement confirmation sent to the client

Settlement Flow – Sale Trade Corporate Bonds



1. Trade instructions sent by client to the broker or directly agreed with a counterparty
2. Trade reported on exchange reporting platform

2.1. Broker reports trades to the exchange

3. Trade confirmation to the client along with broker contract note
4. Settlement instructions as per agreed timeline
5. Pre-matching between client instructions and entry on bond reporting platform
6. Reporting of trades to SEBI
7. Trades confirmed on NCL and ICCL
8. Debit client's security account for pay-in of securities
9. Pay-in of securities through depositories
10. Settlement via the clearing corporations
11. Funds received via RBI-RTGS
12. Credit client's cash account and send the settlement confirmation

10.3.2.2. Corporate Bonds Executed and Settled through Exchange Platform

The corporate bond trades can also be executed on Stock Exchanges. Trades executed on exchange platform are settled through the designated CC of the custodian/ clearing member. These trades are governed under the risk management guidelines of CC including payments of relevant margins and guaranteed by the CCs. These trades settle on T+1 basis.

10.4. Derivatives

FPIs are allowed to invest in derivatives traded on a recognised stock exchange. Derivatives include Index Futures, Index Options, Stock Futures and Options, Interest Rate Derivatives, Currency Derivatives, Non-Agricultural Commodity Derivatives.

10.4.1. Equity Derivatives

CC of the exchanges act as clearing and settlement agency for all deals executed on the Derivatives (Futures and Options) segment. NCL acts as legal counterparty to all deals on NSE's F&O segment and guarantees settlement and ICCL acts as legal counterparty to all deals on BSE's F&O segment and guarantees settlement. The market has moved towards delivery-based settlement (physical settlement) of single stock derivatives.

The CCs have a comprehensive risk containment mechanism for the F&O segment. The most critical component of a risk containment mechanism for the CCs (NCL/ ICCL) is the online position monitoring and margining system. The actual margining and position monitoring is done online, on an intra-day basis. The margins levied for this segment under the risk management framework of the exchanges are:

— Initial Margin
— Premium Margin
— Extreme Loss Margin
— Any additional margins as decided by the Exchanges from time to time

Settlement Mechanism – The settlement of trades is on T+1 working day basis.

Daily Mark to Market Settlement of futures contracts on index and individual securities: The positions in the futures contracts for each member is marked-to-market to the daily settlement price of the futures contracts at the end of each trade day.

Final Settlement of futures contracts on index and individual securities: On the expiry of the futures contracts, CC marks all positions of a CM to the final settlement price and the resulting profit/ loss is settled in cash.

The final settlement profit/ loss is computed as the difference between trade price or the previous day's settlement price, as the case may be, and the final settlement price of the relevant futures contract. Final settlement loss/ profit amount is debited/ credited to the relevant CMs clearing bank account on T+1 day (T = Expiry Day).

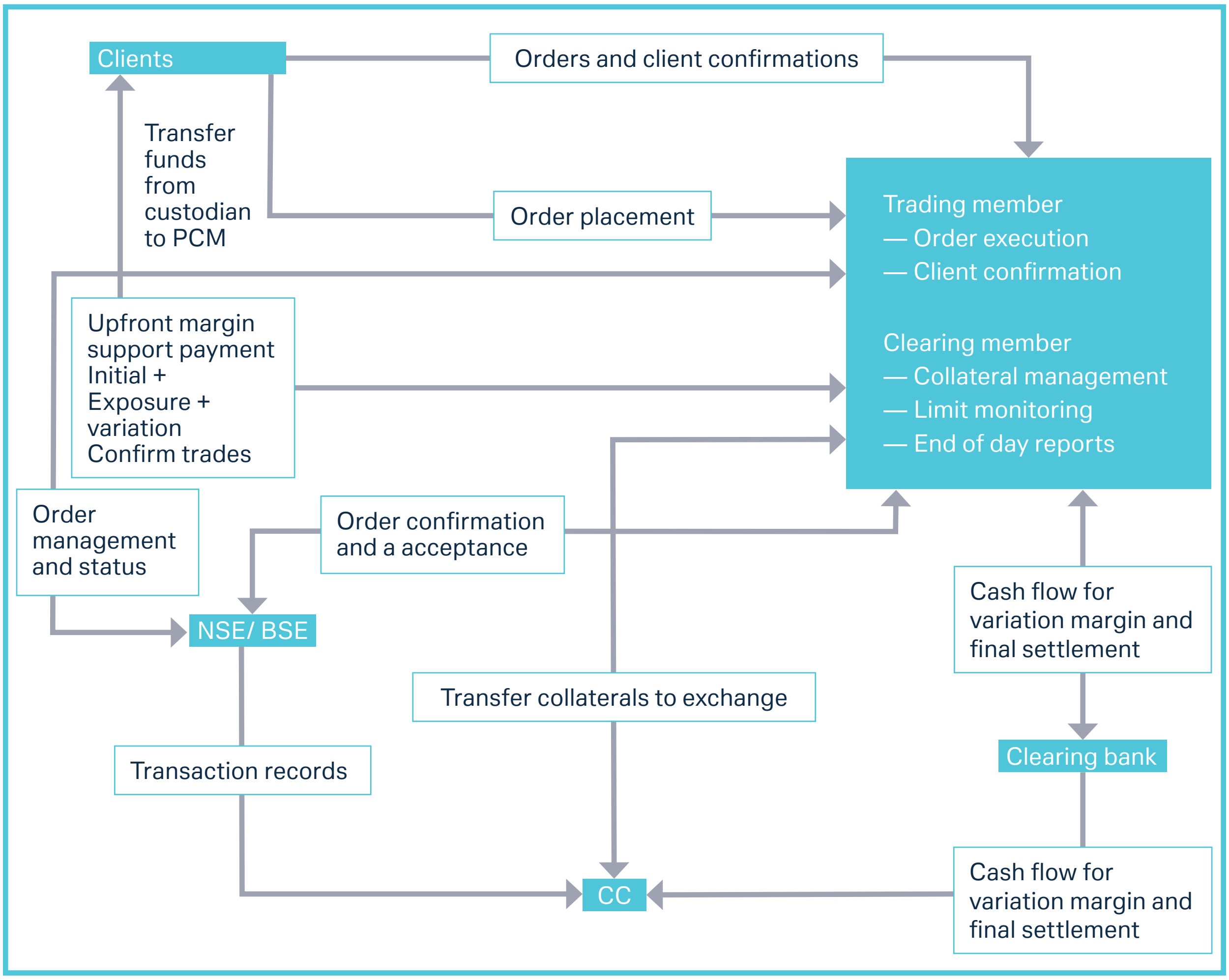
Open positions in futures contracts cease to exist after their expiration day.

Daily Premium Settlement of options contracts on index and individual securities: Premium settlement is cash settled and settlement style is premium style. The premium payable position and premium receivable positions are netted across all option contracts for each CM at the client-level to determine the net premium payable or receivable amount, at the end of each day. The pay-in and pay-out of the premium settlement is on T+1 day (T = Trade Day).

Final Exercise settlement of options contracts on index and individual securities: Final exercise settlement is in effect for option positions at in-the-money strike prices existing at the close of trading hours, on the expiration day of an option contract. Long positions at in-the money strike prices are automatically assigned to short positions in option contracts with the same series, on a random basis.

Final settlement loss/ profit amount for option contracts on Index/ Individual Securities is debited/ credited to the relevant CMs clearing bank account on T+1 day (T = Expiry Day). Open positions, in option contracts, cease to exist after their expiration day.

I. Process Flow



II. Physical Settlement of Equity Derivatives

Since December 2018, all new stock introductions in derivatives segment are physically settled. Single stock futures and options contract follow physical settlement by way of delivery/ receipt of securities/ cash.

i. Settlement Procedure

- The following positions in respect of contracts identified by exchange shall be physically settled:
  - All open futures positions after close of trading on expiry day
  - All in-the-money contracts which are exercised and assigned
- The facility of do-not-exercise provided for Close to Money (CTM) option contracts remain applicable in respect of stocks which are identified for physical settlement
- The quantity to be delivered/ received would be equivalent to the market lot* number of contracts which result in physical settlement
- The settlement obligation value shall be computed as under:
  - Futures – Settlement obligations shall be computed at futures final settlement price of the respective contract
  - Options – Settlement obligation shall be computed at respective strike prices of the option contracts

- The final deliverable/ receivable positions at a CM shall be arrived at after netting the obligations of all clients/ constituents/ trading members clearing through the respective CM
- Physical settlement of securities shall be done only in dematerialised mode through the depositories
- The physical settlement will take place on Expiry+1 day

ii. Shortage Handling
- Funds Settlement: Non-fulfilment of funds obligation towards physical settlement shall be treated as a violation and action as currently applicable for non-fulfilment of settlement obligation shall be applicable. Securities pay-out due to such CM who have not fulfilled funds obligation shall be withheld by CC
- Securities Settlement: Failure of the seller to deliver securities shall result in buy-in auction for the shares by CC. Auction would be conducted on Expiry+3 days and settled on Expiry+4 days
  - When the CC is satisfied that securities cannot be bought in auction, obligation in such security shall be deemed to be closed out
  - CM who fail to deliver shall be debited by an amount equivalent to the securities not delivered, valued at valuation price, which would be the closing price of the security in Cash equity segment of exchange, on immediate trading day preceding the pay-in day of securities
  - Close out shall be at the close-out price of the security as determined in Capital Market Segment
  - Auction shall not be conducted for shortages in the securities which are under corporate actions. Such shortages shall be closed out directly
- Clearing members failing to fulfil their securities deliverable obligations to CC shall be subjected to a penalty charge of 0.05% per day. The valuation amount of the shortage shall be considered as fund shortages where shortage confirmation is not received from the bank and penal action as prescribed for funds settlement would apply

iii. Additional Margin applicable for Physical Settlement
Post expiry, positions which are converted to physical settlement, margins as applicable in Cash equity segment (i.e. VaR, Extreme Loss Margins, Mark-to-Market (MTM) Margins) shall be applicable and levied as delivery margins.
  - VaR and Extreme Loss Margins: The VaR and Extreme Loss margin as computed in the Cash equity segment shall be applied on client-level settlement obligations
  - MTM Margins: End of day MTM Margins shall be computed on expiry day and Expiry+1 day as difference between settlement obligation and value of positions at closing price of the security in the Capital Market segment. MTM loss in one security shall be netted against profit of other security for same client
  - Delivery Margin (DM): Delivery margin will be applicable in addition to existing framework. These margins shall be levied on lower of potential deliverable positions or in-the-money long option positions five working days prior to expiry (including expiry day) of derivative contract which has to be settled through delivery
  - Clearing/ Trading Member are required to collect delivery margin and report the same through the existing client margin reporting mechanism. Further, DM shall be levied at client-level and collected from clearing member in a staggered manner as under:
    10% of DM on Expiry-4 days
    25% of DM on Expiry-3 days
    45% of DM on Expiry-2 days
    70% of DM on Expiry-1 day and
    100% of DM on Expiry day

10.4.2. Interest Rate Futures (IRFs)

CCs are the clearing and settlement agency for all deals executed on the derivatives segment relating to IRFs. They also act as a legal counterparty to the deals and guarantee settlement. The margins levied for this segment under the risk management framework of the exchanges are:
— Initial Margin
— Calendar Spread Margin
— Extreme Loss margin
— Any additional margins as decided by the Exchanges from time to time

Settlement Mechanism - All transactions relating to IRFs will be cash-settled in Indian Rupees (INR).

Daily Mark-to-Market Settlement: The positions in the futures contracts for each member is marked-to-market to the daily settlement price of the futures contracts at the end of each trade day.

Final Settlement: On the expiry of the futures contracts, CCs mark all positions of a CM to the final settlement price and the resulting profit/ loss is settled in cash.

The final settlement profit/ loss is computed as the difference between trade price or the previous day's settlement price, as the case may be, and the final settlement price on the last trading day.

Open positions in futures contracts cease to exist after their last trading day/ expiry.

10.4.3. Currency Derivatives

CCs of the exchanges act as clearing and settlement agency for all deals executed on the Derivatives (Futures and Options) segment. There are various margins like Initial Margin, Extreme Loss Margin, etc. levied on the contracts.

Settlement Mechanism: The settlement of Currency Futures and Options Contracts would be settled in cash in INR.

Daily Mark-to-Market Settlement: The daily mark-to-market settlement and premium settlement of currency derivatives contracts is settled in cash on T+1 day basis.

Final Settlement: On the expiry of the futures contracts, the CCs mark all positions of a CM to the final settlement price and the resulting profit/ loss is settled in cash.

The final settlement profit/ loss is computed as the difference between trade price or the previous day's settlement price, as the case may be, and the RBI reference rate of such futures contract on the last trading day.

Final settlement loss/ profit amount is debited/ credited to the relevant Clearing Member's account bank account on T+2 day (T= last trading day).

Open positions in futures contracts cease to exist after their last trading day.

10.5. Risk Management at Exchanges

The regulator/ exchanges have developed a comprehensive risk management system encompassing capital adequacy of members, adequate margin requirements, limits on exposure and turnover, indemnity insurance, online position monitoring and automatic disablement, etc. They also administer an efficient market surveillance system to curb excessive volatility, and detect and prevent price manipulations.

10.5.1. Margins

Key part of the risk management system due to volatility in the stock price movement leading to risk, is addressed by margining system of stock markets. Daily margins comprise of:

- Value-at-Risk (VaR) Margins
- Extreme Loss Margins
- Mark-to-Market (MTM) Margins

10.5.2. Capital Adequacy Requirements

The core of risk management is liquid assets deposited by members with the exchange/ CC. Members are required to provide liquid assets which adequately cover various margins and base minimum capital requirements.

10.5.3. Core Settlement Guarantee Fund (CSGF)

SEBI has prescribed norms for Core Settlement Guarantee Fund (CSGF) and Default Waterfall and Stress Testing aimed at enhancing the robustness of the risk management systems of the CCs, for dealing with defaults of the CMs in an effective manner. In the event of failure of a trading member, CSGF is utilised for successful completion of the settlement which eliminates counter-party risk of trading on the exchange. At any point of time, the contributions of various contributors to CSGF of any segment shall be reviewed by SEBI from time to time considering the prevailing market conditions. CC may utilise the CSGF in the event of a failure of CM to honour settlement commitment. CCs have a pre-defined waterfall for using CSGF in case of default in any segment.

10.5.4. Collateral Deposits

Participants may deposit collaterals in the form of cash equivalents i.e. cash, fixed deposit receipts and bank guarantee, G-Secs and foreign securities based on the segment. The collateral deposited by the participant is utilised towards margin requirement of the participant.

10.5.5. Graded Surveillance Measure

The stock exchanges have introduced Graded Surveillance Measure (GSM), to ensure market safety and safeguard interest of investors. The GSM will be introduced on securities witnessing an abnormal price rise not commensurate with financial health and fundamentals like earnings, book value, fixed assets, net worth, P/E multiple, etc.

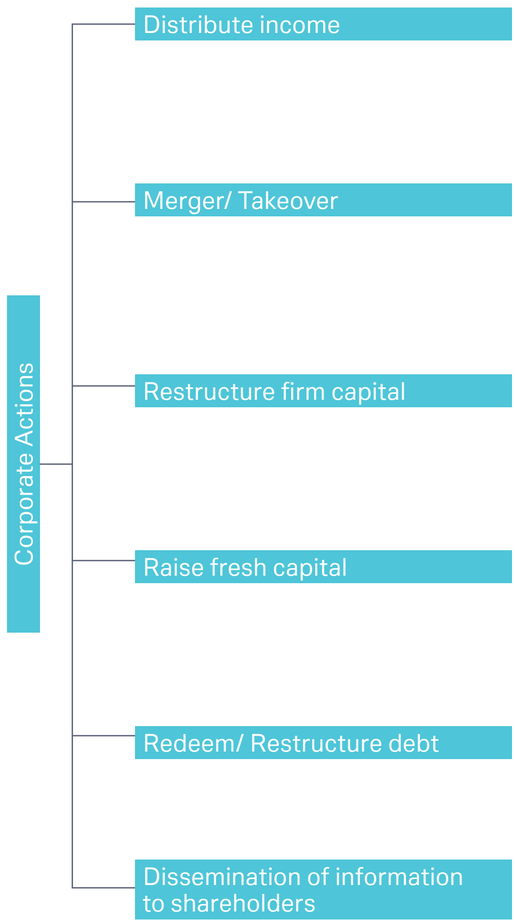
The exchanges have issued a set of FAQs to explain the GSM mechanism. The FAQs can be accessed using below links:
Graded Surveillance Measure (GSM) (bseindia.com)
Graded Surveillance Measure (GSM) (nseindia.com)

11 Asset Servicing

11.1. Overview

A corporate action is an event in the life of a security when an issuer of an existing security distributes benefits to shareholders/ bondholders or changes the security's structure, thus affecting the existing holding in that security. The purpose of corporate actions is described below:

Asset Servicing



A) Initiation of Corporate Actions:

Initiated by the issuer/ company:
- At the time of issue of security – leading to scheduled events, e.g., interest in case of bonds
- Announced during the life of the security e.g., dividends

Initiated by the holder:
- Usually applicable in case of bonds where issuer provides options to the holder to initiate an event

B) Source of Corporate Action Event Information:

Primary:
- Stock exchange bulletins and downloads and SWIFT updates
- Direct information from the company/ institution – official public announcements

Secondary:
- Newspapers and other periodicals
- Local data vendors

11.1.1. Types of Corporate Actions

The most common types of corporate actions are:
— Dividends/ Interest on Equities/ Debentures
— Rights Issues
— Bonus Issues
— Demergers/ Mergers/ Amalgamations
— Stock Splits
— Buy Backs and Stock Conversions

11.1.2. Corporate Action Highlights

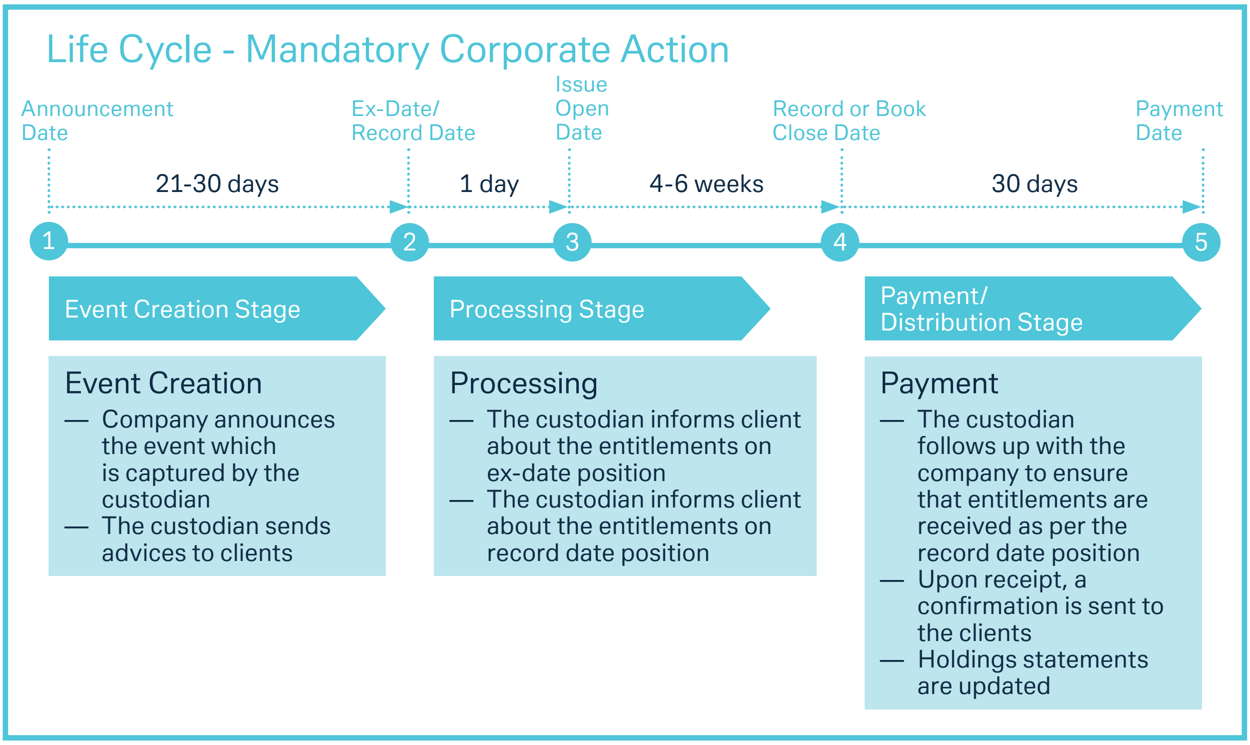
Corporate Action Highlights	
Peak period	April to September
Entitlement Date	Record Date
Entitlement Computation	On Record Date
Pay Date	There is a concept of pay date, but it is not mandatory
Corporate Action Claims	While there is no automatic claiming procedure within the markets, the Agent Bank would contact the respective counterparty to receive corporate action benefits on behalf of the client

Important Dates

Announcement Date	— Listed companies should give advance notice of at least seven working days (excluding the date of intimation and record date), of the record date, to the relevant stock exchanges — Shareholders to be given a notice of 21 days before AGM/ EGM
Book Close Date	— Date on which the company will close its books for the record of its shareholders for disbursement of the entitlement
Record Date	— Record date is the cut-off date for determining the number of registered members who are eligible for any corporate action benefits
Ex-date	— Date before which, if that particular stock is bought in the market, the buyer is entitled to receive the entitlements (dividend/ bonus) — Such a trade is known as a ‘cum dividend/ cum bonus’, i.e. the trade is executed inclusive of all the entitlements/ benefits
Payment Date	— Payment of benefit is to be made within 30 days from the announcement date, or AGM date — Although there is a requirement for declaration of pay date for dividend, companies are yet to adopt the practice of announcing pay date prior to providing benefits
Period of Offer	— Period of Offer is specified in the offer document for each event

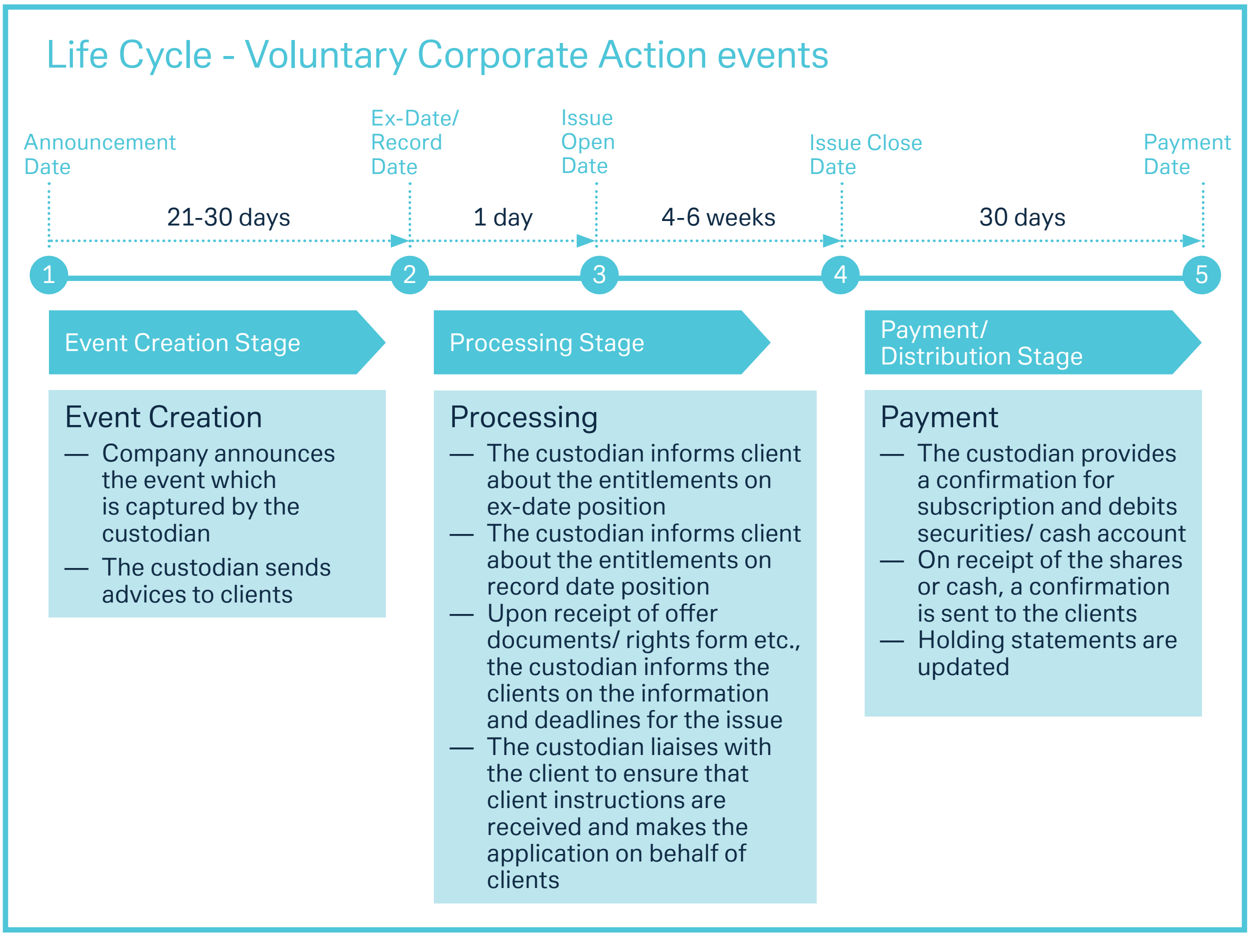
11.2. Life Cycle – Mandatory Corporate Action

Mandatory corporate action events are listed herewith:
- Merger/ Demerger/ Takeover
- Stock Split/ Sub-division/ Consolidation
- Bonus issue
- Dividend
- Interest



11.3. Life Cycle – Voluntary Corporate Action Events

Voluntary corporate action events are:
— Call and Put Option
— Rights Issue
— Open Offer
— Buy Back
— AGM/ EGM
— Warrant Exercise
— Call Payment



11.4. Voting

Highlights	
Peak Season - AGM	March to November
Eligible Securities	Equity Shares
Notice Period	21 days prior to the AGM
Eligibility Date	Record Date
Blocking of Shares	No
Re-registration	Not Applicable
Voting Method	Multiple – Physical presence at the meeting, postal ballot, electronic voting
Split Voting	Permitted only in case voting is by poll
Meeting Results	Immediate, if voting is held by show of hands. In case of postal ballot/ e-Voting, results are made available within 48 hours from meeting date

11.4.1. Proxy Voting

— Section 109 of the Companies Act, 2013 entitles any member of the company to attend and vote at a meeting or appoint another person as his proxy to attend and vote in his place
— All shareholders registered in books of company as on the record date/ book closure date are eligible to vote
— In case of proxy, the submission of the proxy form with the issuer is at least 48 hours or two working days before the meeting date (96 hours or four working days for banks). In case of e-Voting, the period of voting ends one day prior to meeting date
— Resolutions at company meetings can be put to vote by a show of hands. Unless the resolution fails, or a poll is demanded, the matter is decided there and closed
— A proxy cannot exercise voting rights on a show of hands
— In the event of a poll, the proxy can vote (for, or against, or abstain) based on client instructions
— In a poll it is possible to split decision and have varied instruction for a single account
— In case a vote is cast by way of e-Voting or postal ballot, the proxy cannot participate in the vote at the meeting

11.4.2. E-Voting

The Companies Act, 2013 mandates every listed company and companies having at least 1,000 shareholders to provide the facility of voting at general meetings by electronic means.

Key features of e-Voting:
— The e-Voting period will be open for three days and close at least one day prior to the meeting date
— Shareholders/ members can e-Vote directly or provide their requisite instructions to the custodian to submit their e-Vote
— Shareholders/ members who do not have access to e-Voting facility can communicate their assent or dissent through ballot form
— Wherever the company has opted for e-Voting, the voting by show of hands has been discontinued
— E-Votes once exercised cannot be modified
— If e-Voting has been done for a client, proxy cannot take part in the voting at the meeting for the given client
— Shareholders/ members exercising e-Voting can attend the meeting but cannot vote at the meeting

Role of the Scrutiniser:
- Board of Directors of the company appoints an external person to scrutinise the e-Voting process in a fair and transparent manner
- Scrutiniser, within three working days from end date of e-Voting, submits a report of votes cast in favour or against to the Chairman
- Scrutiniser maintains a register either manually or electronically to record:
  - The assent or dissent received
  - Particulars of name, address, folio number or client ID of the shareholders
  - Number of shares held
  - Nominal value of such shares, etc.
- The register and all other papers relating to e-Voting remains in the custody of the scrutiniser until the Chairman approves
- After Chairman signs the minutes, register and other related papers are returned to the company

11.4.3. Publication of Outcome of the Meeting

The results declared along with the scrutiniser's report are placed on the website of the company and on the website of the agency within two days of passing of the resolution at the relevant general meeting of members.

12 Banking and Currency Hedging Guidelines

12.1. Permissible Banking Facilities

Foreign Exchange Management Act, 1999 (FEMA) allows an FPI to open a single Special Non-Resident Rupee (SNRR) account and a Foreign Currency account with the designated Authorised Dealer (AD) Category-I (Cat-I) bank, for the purpose of investment under the Portfolio Investment Scheme. Both the SNRR and the Foreign Currency accounts are non-interest-bearing accounts.

Within the FEMA guidelines issued by RBI, a SEBI-registered FPI is permitted to:

- Open an SNRR account with designated AD Cat-I bank, to facilitate credit of funds received via conversion from foreign currency account, sale proceeds of shares/ debentures/ bonds/ G-Secs, etc., dividend and interest payments
- The SNRR account may be debited for purchase of shares/ debentures/ bonds/ G-Secs, margin payments to the stock exchanges/ clearing members for securities and derivatives, and payment of brokerage fees associated with the trades, or purchase of listed or to be listed units of REITs, InvITs and AIFs
- Debits are also permitted for payment of fees to the Chartered Accountant/ Tax Consultant where such fees constitute an integral part of the investments
- Transfer funds from the foreign currency accounts to the SNRR accounts, at exchange rate
- Transfer funds from the SNRR account to the Foreign Currency account as per market exchange rate. Such transfers are permitted post payment of the taxes at the applicable rate in accordance with the Income Tax Act
- Foreign investors are permitted to book foreign exchange deals (both inward as well as outward) through any AD Cat-I bank or its designated AD bank

12.2. Currency Hedging

FPIs are allowed to hedge their currency risk related to their investment in India as on a particular date using the following products:

- Foreign exchange (FX) derivative contracts with rupee as one of the currencies
- Participation in the Currency Derivative segment of the Stock Exchange

I. Facilities Permitted for FPIs:

- To hedge currency risk on the market value of investment in equity and/ or debt in India as on a particular date i.e., hedge on contracted exposure
- To hedge anticipated exposure in India which is expected in future

II. Foreign Exchange Derivative Contracts

FPIs are permitted to execute FX derivative contracts with any AD Cat-I banks and Standalone Primary Dealers (SPDs) as per the following conditions:

- The derivative contract is for the purpose of hedging only
- Contracted exposure route:
  - The notional and tenor of the derivative contract does not exceed the value and tenor of the exposure
  - The same exposure should not be hedged against any other derivative contract
  - In case the exposure ceases to exist in full or part, then the derivative contract needs to be adjusted to ensure it does not exceed the value of exposure or the original derivative contract to be assigned against any other unhedged exposure. No adjustment to the hedge is required if, in opinion of the Authorised Dealer, the change in exposure is not material
  - If the value of the exposure falls below the notional value of the derivative owing to reduced market value of the portfolio, the hedge may be allowed to continue to the original maturity
- Derivative contracts can be freely cancelled and rebooked. Net gains on cancellation/ rebooking for contracts under contracted exposure route will be exchanged with the client. Net gains on contracts booked to hedge an anticipated exposure will be passed on to the user only at the time of the cash flow of the anticipated transaction. In case of part-delivery, net gains will be transferred on a pro-rata basis
- All costs incidental to hedge must be met out of repatriable funds and/ or inward remittance through normal banking channel
- All outward remittances incidental to the hedge are net of applicable taxes

III. Currency Derivatives on Stock Exchange

Position Limits

Instrument Type	All Category-I (including Long Term)	Category-II FPIs that are Individuals, Corporates and Family Offices	Category-II FPIs other than Individuals, Corporates and Family Offices
Currency Derivatives (INR currency pairs) per Stock Exchange			
USD-INR	Gross open position across all contracts shall not exceed, higher of — 15% of the total open interest, or — USD 100 million	Gross open position across all contracts shall not exceed, higher of — 6% of the total open interest, or — USD 20 million	Gross open position across all contracts shall not exceed, higher of — 15% of the total open interest, or — USD 100 million
EUR-INR	Gross open position across all contracts shall not exceed, higher of — 15% of the total open interest, or — EUR 50 million	Gross open position across all contracts shall not exceed, higher of — 6% of the total open interest, or — EUR 10 million	Gross open position across all contracts shall not exceed, higher of — 15% of the total open interest, or — EUR 50 million
GBP-INR	Gross open position across all contracts shall not exceed, higher of — 15% of the total open interest, or — GBP 50 million	Gross open position across all contracts shall not exceed, higher of — 6% of the total open interest, or — GBP 10 million	Gross open position across all contracts shall not exceed, higher of — 15% of the total open interest, or — GBP 50 million

Instrument Type	All Category-I (including Long Term)	Category-II FPIs that are Individuals, Corporates and Family Offices	Category-II FPIs other than Individuals, Corporates and Family Offices
JPY-INR	Gross open position across all contracts shall not exceed, higher of — 15% of the total open interest, or — JPY 2,000 million	Gross open position across all contracts shall not exceed, higher of — 6% of the total open interest, or — JPY 400 million	Gross open position across all contracts shall not exceed, higher of — 15% of the total open interest, or — JPY 2,000 million
Currency Derivatives (cross currency pairs) per Stock Exchange			
EUR-USD GBP-USD USD-JPY	Gross open position across all contracts shall not exceed, higher of — 15% of the total open interest, or — EUR/ GBP/ USD* 100 million *EUR for EUR-USD pair GBP for GBP-USD pair USD for USD-JPY pair	Gross open position across all contracts shall not exceed, higher of — 6% of the total open interest, or — EUR/ GBP/ USD* 10 million *EUR for EUR-USD pair GBP for GBP-USD pair USD for USD-JPY pair	Gross open position across all contracts shall not exceed, higher of — 15% of the total open interest, or — EUR/ GBP/ USD* 100 million *EUR for EUR-USD pair GBP for GBP-USD pair USD for USD-JPY pair

Notes to Limits table:

- FPIs may take long or short positions without having to establish existence of underlying exposure up to a single limit of USD 100 million or equivalent across all currency pairs involving INR, put together and combined across all Exchanges
- An FPI cannot take a short position beyond USD 100 million across all currency pairs involving INR, all put together at any point of time and combined across Exchanges. Stock Exchanges restrict the FPI from increasing its existing short positions or creating new short positions in the currency pair until the FPI complies with the requirements
- Long position beyond USD 100 million should have an underlying exposure to the extent of the value of the derivative contract
- Position limit linked to total open interest will be applicable at the time of opening a position. Such position would not be required to be unwound in event of drop in total open interest at a Stock Exchange
- In such scenario, the eligible market participants will not be allowed to increase their open positions, or create new position in the currency pair, till they comply with applicable limits

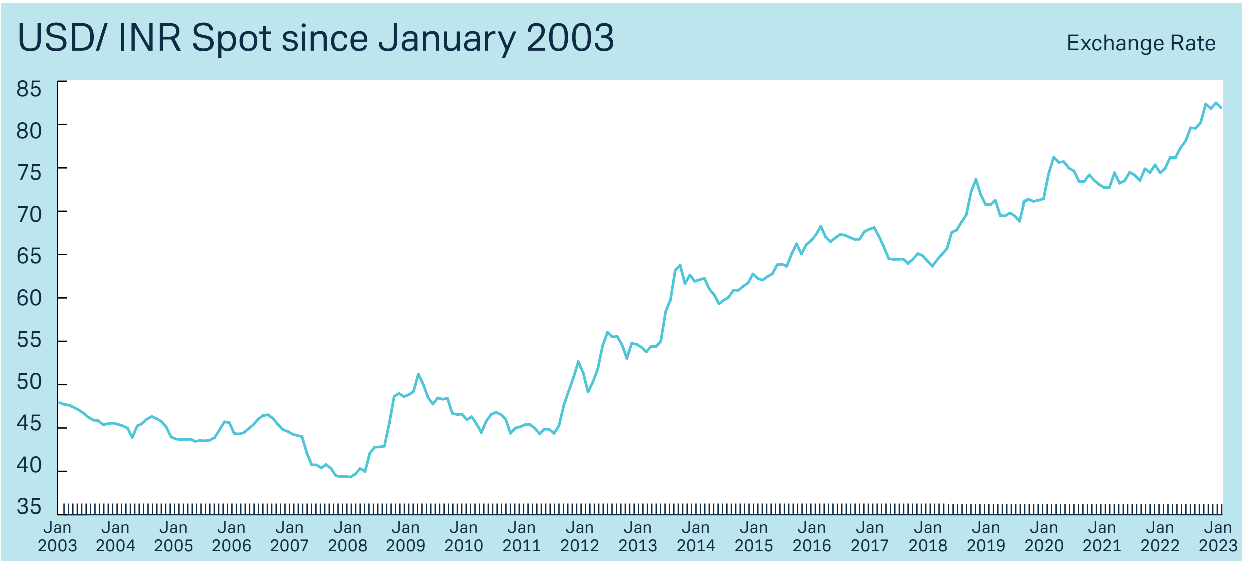
12.3. Responsibilities of FPI

- FPI is responsible to ensure that any contracts in excess of the limits booked, is supported by an equivalent underlying exposure in India
- If the total value of the contracts exceeds the market value of the holdings on any day, the concerned FPI shall be liable for penal actions as may be laid down by SEBI and action as may be taken by RBI, under the FEMA

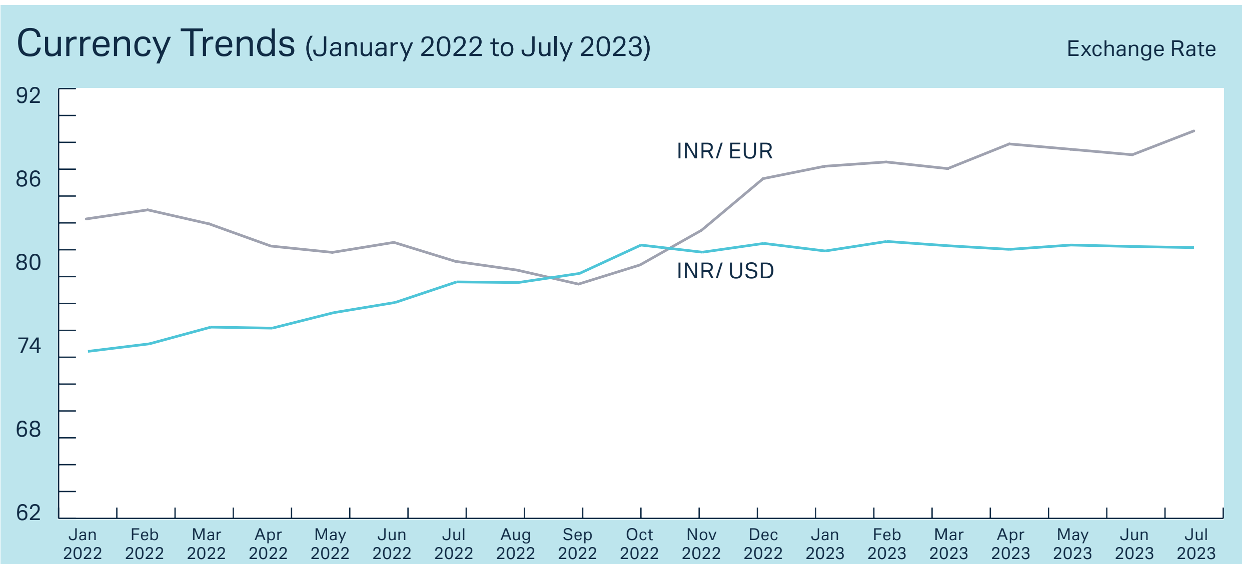
12.4. Monitoring of Position

- The Exchange/ Clearing Corporation (CC) provides FPI-wise information on day-end open position as well as intra-day highest position to the respective Custodian Banks
- The Custodian Banks aggregate the position of each FPI on the Stock Exchanges as well as the Over the Counter (OTC) contracts booked with themselves and other AD Banks
- The designated Custodian Bank monitors the total position and notifies transgressions to RBI/ SEBI, if any
- The limit is monitored on the basis of the situation at the end of the day
- Exchanges intimate the Custodian Bank of the FPI, of the highest intra-day position taken by the FPI, through end of day report

The graphs below reflect the 20-Year USD/ INR Spot Trend, and currency trends since January 2022.



Source: RBI, FBIL



Source: FBIL

13 Tax Aspects

13.1. Tax Regime in India for Foreign Investors

The Department of Revenue under the Ministry of Finance is the nodal agency responsible for revenue collection, both direct and indirect taxes, for the Government of India. The Department formulates the tax policy and operates through two statutory boards, viz. the Central Board of Direct Taxes (CBDT) and the Central Board of Indirect Taxes and Customs (CBIC). The CBDT has set up a separate cell for assessment of income earned by foreign investors.

Foreign investors must pay applicable taxes or set aside necessary funds to meet their tax liabilities before conversion to foreign currency/ remittance. The taxes can also be paid as advance tax as per the schedule provided by the Income Tax Department if there are no remittances out of India.

Foreign investors are required to appoint a Chartered Accountant/ Tax Consultant in India, to provide necessary assistance related to computation of tax liabilities. The tax consultant would facilitate tax payments and filing of tax returns including liaising with the tax authorities in case of any queries or enquiries. Foreign investors are required to obtain a Permanent Account Number (PAN). Application for PAN forms part of Common Application Form (CAF).

Taxes payable by foreign investors:
- Withholding Tax
- Capital Gains Tax
- Securities Transaction Tax

13.1.1. Withholding Tax (WHT)

Withholding Tax is an obligation on the payer to withhold tax at the time of making payment under specified heads. Foreign investors are subject to WHT in terms of their interest income on debt securities held by them in India and dividend income on equity securities.

I. Taxation of Interest:
- Foreign investors are liable to pay tax on the interest income earned in India as per the prevailing tax rates or as per provisions of the relevant tax treaty under the Double Taxation Avoidance Agreement (DTAA) between India and the domicile country of the FPI, whichever is less
- WHT on interest income will be 20% or at the tax rate as per applicable tax treaty, whichever is favourable[1]

[1]Section 194LD, Income Tax Act, 1961: The concessional WHT regime, applicable on income earned by FPIs by way of interest on rupee-denominated corporate bonds and Government Securities, was not extended by the Finance Bill, 2023. Effective July 1, 2023 foreign funds are subject to WHT at the rate of 20%.

II. Taxation of Dividend:

— Dividends are taxable in hands of shareholder/ dividend recipient
— Deduction is allowed on dividend received by holding company from its subsidiary. Deduction of tax on dividend income is at a lower treaty rate for FPIs

13.1.2. Capital Gains Tax

Taxation of Gains on Sale of Securities: Any income arising to FPIs from transactions in securities will be treated as capital gains, i.e., the income earned by FPIs arising from transaction in such securities would be taxed as 'Capital Gains'.

— Income earned on listed securities held for less than 12 months is regarded as 'short-term' capital gain
— Income earned on listed securities held for more than 12 months is regarded as 'long-term' capital gain

FPI is liable to pay tax on the income earned on sale of securities in India at the prevailing rates or can avail double tax treaty provisions signed between India and country of domicile of FPI if applicable.

13.1.3. Securities Transaction Tax (STT)

STT is levied on every purchase or sale of securities that are listed on the Indian Stock Exchanges. This would include shares, derivatives or units of equity-oriented mutual fund.

Securities Transaction Tax

Transaction	Rates	Payable by
Purchase/ Sale of Equity Shares (Delivery-based)	0.1%	Purchaser/ Seller
Sale of Units of Equity-Oriented Mutual Fund (Delivery-based)	0.001%	Seller
Sale of an Equity Share or Unit of Equity-Oriented Mutual Fund (Contract is Settled Otherwise than by the Actual Delivery)	0.025%	Seller
Sale of an Option in Securities	0.0625%	Seller
Sale of an Option in Securities, where Option is Exercised	0.125%	Purchaser
Sale of Futures in Securities	0.0125%[1]	Seller

[1]As amended by the Finance Act, 2023

13.1.4. Tax Rates

Given below are the indicative tax rates as applicable to FPIs and should not be construed as the final tax rates as these may vary from client to client depending on the type of entity and the country of incorporation. FPIs are required to consult their tax consultants on the taxation laws in India.

Current Applicable Tax Regime for FPIs Investing in India

Assessment Year: 2024 - 2025

Previous Year: April 1, 2023 till March 31, 2024

Tax Rates (Inclusive of Surcharge and Education Cess)

Corporate FPIs

Nature of Income	Net Taxable Income		
	Up to INR 10 million	Exceeding INR 10 million, up to INR 100 million	Exceeding INR 100 million
Dividends and other income	20.8%	21.216%	21.84%
Interest income on government securities, qualifying corporate bonds and municipal bonds*	20.8%	21.216%	21.84%
Capital Gains on Listed Equity Shares/ Equity-Oriented Mutual Funds/ Units of Business Trust where STT is Applicable			
Short-term capital gains	15.6%	15.912%	16.38%
Long-term capital gains**	10.4%	10.608%	10.92%
Capital Gains on Transfer of Other Securities (including Derivatives and Debt Mutual Funds) where STT is NOT Applicable			
Short-term capital gains	31.2%	31.824%	32.76%
Long-term capital gains	10.4%	10.608%	10.92%

* 5% (plus surcharge and cess) tax rate applicable if certain conditions fulfilled
** Grandfathering benefits available in case the securities are purchased before February 1, 2018

Non-Corporate FPIs

Nature of Income	Net Taxable Income				
	Up to INR 5 million	Exceeding INR 5 million, up to INR 10 million	Exceeding INR 10 million, up to INR 20 million	Exceeding INR 20 million, up to INR 50 million	Exceeding INR 50 million
Dividends and other income	20.8%	22.88%	23.92%	23.92%	23.92%
Interest income on government securities, qualifying corporate bonds and municipal bonds*	20.8%	22.88%	23.92%	26%	28.496%
Capital Gains on Listed Equity Shares/ Equity-Oriented Mutual Funds/ Units of Business Trust where STT is Applicable					
Short-term capital gains	15.6%	17.16%	17.94%	17.94%	17.94%
Long-term capital gains**	10.4%	11.44%	11.96%	11.96%	11.96%
Capital Gains on Transfer of Other Securities (including Derivatives and Debt Mutual Funds) where STT is NOT Applicable					
Short-term capital gains	31.2%	34.32%	35.88%	35.88%	35.88%
Long-term capital gains	10.4%	11.44%	11.96%	11.96%	11.96%

* 5% (plus surcharge and cess) tax rate applicable if certain conditions fulfilled
** Grandfathering benefits available in case the securities are purchased before February 1, 2018

FPIs/ Institutional investors are required to discharge their income tax liabilities in line with the applicable laws in India. Clients are requested to seek the opinion of their tax consultants on all tax related matters.

13.1.5. Advance Tax

Investors who do not have any repatriation of their funds within the financial year, the tax liabilities on capital gains have to be discharged in the form of advance tax payable in instalments during the financial year. The tax thus paid is adjusted against the total tax assessable for the respective assessment year. Liability to pay advance tax arises when the tax payable is INR 10,000 or more.

The advance tax needs to be paid as per below schedule (applicable for corporate and non-corporate entities):

Due Date	Advance Tax Payable
By June 15	15% of the Advance Tax
By September 15	45% of the Advance Tax
By December 15	75% of the Advance Tax
By March 15	100% of the Advance Tax
By March 31 (for 15 days from March 15 to March 31)	100% Tax on Income (Capital Gains and Dividend/ Interest)

— Taxes are calculated based on traded positions; all trades executed up to and including the deadlines specified above to be included in the calculation
— Taxes not paid in accordance with the above schedule at the end of the financial year (March 31), will be liable for interest at the rate of 1% per month on such deficiency

— The due dates for filing income tax returns for a financial year are October 31st and July 31st of the following financial year for corporate and non-corporates respectively; if the returns are not filed on or before the due dates, interest at the rate of 1% per month (or part of the month) will be charged on the difference of tax payable, the advance tax and tax deducted at source (TDS); interest will be charged till the Return of Income for the relevant financial year is filed

13.2. Double Taxation Avoidance

The Government of India has entered into Double Tax Avoidance Agreements (DTAA) with several countries. This treaty determines the taxability of various incomes (including capital gains, dividend and interest income) earned in India, by the resident entity of the country with which India has entered into a DTAA. The entity may avail the benefits of the DTAA provisions wherever such provisions are more beneficial vis-à-vis provisions of the income tax applicable in India.

DTAA entered into, by the Government of India, can be accessed using the below link:
http://www.incometaxindia.gov.in/Pages/international-taxation/dtaa.aspx

13.3. Minimum Alternate Tax (MAT)

Capital gains from sale of securities as well as interest income, royalties, and fees on technical services earned by foreign companies will be exempt from MAT, if the foreign company is resident of a treaty country and does not have permanent establishment in India. MAT provisions are not applicable to FPIs who do not have Permanent Establishment (PE)/ place of business in India.

13.4. General Anti-Avoidance Rule (GAAR)

The General Anti-Avoidance Rule will apply prospectively to transfer of investments made on or after April 1, 2017 or on any tax benefits availed on or after April 1, 2017 irrespective of the date of arrangement, when GAAR was implemented.

The Central Board of Direct Taxes (CBDT) has issued a set of FAQs to clarify implementation of GAAR. The FAQs can be accessed using the below link:
http://www.incometaxindia.gov.in/communications/circular/circular7_2017.pdf

13.5. Stamp Duty

Indian Stamp (Collection of Stamp Duty through Stock Exchanges, Clearing Corporations and Depositories) Rules, 2019 (Stamp Duty Collection Rules), requires Stock Exchanges/ Clearing Corporations and Depositories to collect Stamp Duty on securities transactions and to further pay to respective State Governments. Clearing Corporation of India Limited (CCIL), and Registrar to an Issue and Share Transfer Agents (RTAs) have been designated as depositories for this purpose, to act as a collection agent.

Stamp Duty on Stock Exchange Transactions

Type of Security	Segment	Stamp Duty Rate	Payable By
Transfer of Securities other than Debentures – Delivery basis	Equity Segment	0.015%	Buyer
Transfer of Debentures	Equity and Debt Segment	0.0001%	Buyer
Transfer of Corporate Bonds, Securitised Debt, Commercial Papers and Certificate of Deposits	CBRICS/ ICDM Platform	0.0001%**	Buyer
Repo Transaction	CBRICS/ ICDM Platform	0.00001%*	Borrower (Buyer of the Forward Leg)
Tri-Party Repo on Corporate Bonds	Debt Market	0.00001%*	Buyer
Issue of Debentures	Electronic Book Provider (EBP)	0.005%	Issuer
Tender - Offers for Takeovers, Buy Back, Delisting of Securities	Equity Segment	0.015%	Offeror (Seller)
Offer for Sale	Equity Segment	0.015%	Offeror (Seller)
Derivatives – Equity Futures	Equity Derivatives	0.002%	Buyer
Derivatives – Equity Options	Equity Derivatives	0.003%	Buyer
Transfer of Security other than Debenture - Delivery basis (Physical Settlement of Derivatives)	Equity Derivatives	0.015%	Receiver
Currency and Interest Rate Derivatives	Currency Derivatives	0.0001%	Buyer
Commodity Futures	Commodity Derivatives	0.002%	Buyer

* Stamp Duty will be levied on the interest paid by the borrower on reverse leg of the repo transaction
** Stamp Duty will be levied on consideration amount (including accrued interest)

Notes:
- Stamp Duty is not applicable on transactions in Securities Lending and Borrowing Scheme (SLBS), except in case of shortages in reverse leg, where stamp duty will be payable by short-delivering member
- Stamp Duty is not levied on G-Secs transactions
- The Stamp Duty will be specified in the 'brokerage' field and will be part of the broker contract note for the buy transaction; the funds will be remitted to the broker on the settlement date for further payment to CCIL

Stamp Duty on Off-Market Transactions

Type of Security	Stamp Duty Rate	Payable By
Transfer of Debentures	0.0001%	Seller/ transferor/ pledgee
Transfer of Securities Other than Debentures – Delivery	0.015%	Seller/ transferor/ pledgee

Notes:

- The stamp duty will be calculated on the 'Consideration Amount' specified in the off-market transaction instruction/ Invocation Value in case of pledge invocation instruction received from clients
- For all off-market transfers of securities with reason codes 'Sales' and 'Commercial paper issuance', the stamp duty should be paid upfront to the Depository by client through their Custodian, i.e., prior to input of the sell transaction by the client's Custodian or the Depository platform for transfer of securities
- Stamp Duty can be paid either through Custodian or directly, at the discretion of payer

13.6. Foreign Account Tax Compliance Act (FATCA)/ Common Reporting Standard (CRS)

13.6.1. FATCA

In 2010, U.S.A. enacted a law known as 'Foreign Account Tax Compliance Act' (FATCA) with the objective of tackling tax evasion through obtaining information in respect of offshore financial accounts maintained by U.S. residents and citizens. USA has entered into an Inter-Governmental Agreement (IGA) with various countries, including India. The IGA between India and U.S.A. was signed on July 9, 2015, which provides that Indian Financial Institutions (FIs) will provide necessary information to the Indian Tax authorities, which will then be transmitted to U.S.A. periodically.

13.6.2. CRS

To combat the problem of offshore tax evasion and avoidance of unaccounted money abroad requiring cooperation amongst tax authorities, the G20 and OECD countries worked together and developed the Common Reporting Standard (CRS) on Automatic Exchange of Information (AEOI). The CRS on AEOI requires FIs of the source jurisdiction to collect and report information to their tax authorities about account holders who reside in other countries, such information having to be transmitted automatically on a yearly basis. The information to be exchanged relates not only to individuals but also to shell companies and trusts having beneficial ownership or interest in the resident countries. Furthermore, the reporting needs to be done for a wide range of financial products, by a wide variety of financial institutions including banks, depository institutions, collective investment vehicles and insurance companies.

SEBI has instructed Designated Depository Participants (DDPs) to carry out due diligence, including self-certification for FPIs before granting SEBI FPI registration.

13.7. Goods and Services Tax (GST)

The GST regime became effective July 1, 2017 onwards, replacing the Excise Duty, Service Tax, and Sales Tax, among various other indirect taxes prevalent in India. GST consists of Central Goods and Services Tax (CGST), State Goods and Services Tax (SGST), Integrated Goods and Services Tax (IGST) and Union Territory Goods and Services Tax (UTGST). This is necessitated by the federal structure of governance in India which requires all the intra-state supply of goods or services to be charged CGST for Central Government and SGST for State Government. Any inter-state supply of goods or services is chargeable to IGST.

A set of FAQs, which provide information on the GST Bill provisions and its economic benefits, has been published by the Government of India, and can be accessed using the below link:
PIB | Frequently Asked Questions (FAQs) on Goods and Services Tax (GST)

13.8. Onshoring Fund Management to India

The provision of business connection in India, in Income Tax Act, to determine tax residency, required FPIs to carry out fund management activity from outside India. This was due to apprehension that presence of Fund Manager in India would make the FPI tax resident in India. Income Tax Act was amended to enable onshoring of fund management to India by the Finance Act, 2015. This encapsulates safe harbour provisions. The fund management activity carried on through an 'Eligible Fund Manager (EFM)' located in India, for an 'Eligible Investment Fund (EIF)' would not constitute business connection in India and therefore not lead to tax residence in India. These benefits are available, subject to compliance of certain conditions. Income Tax Act requires that the fund is a resident of a country or a specified territory with which an agreement has been entered into or notified by the Government of India.

List of such countries/ territories, whose resident funds would be able to qualify as EIF can be accessed using the below link:
https://egazette.gov.in/WriteReadData/2017/177815.pdf

13.9. Taxation for Indirect Transfer

Income Tax Act provides for taxing income from transfer of shares of overseas entity where the value of such shares or interest is substantially derived from assets located in India. The value of assets located in India should exceed the amount of INR 100 million and represent at least 50% of the value of all the assets owned by the company situated outside India. The provisions exempt investors who are holding no right of management or control of such company and holding less than 5% of the total voting power/ share capital/ interest of the company that directly or indirectly owns the assets situated in India.

- The provisions would be applicable upon breach of stated threshold, subject to exemption provided for small investors:
  - Master Feeder Fund structures
  - Nominee - Distributor Fund structures
  - India focused sub-fund and listed funds
- Other provisions in the Income Tax laws such as withholding obligation on the payer apply as per law
- The provisions apply to investors at the time of merger of offshore funds and internal restructuring of such funds
- The application of provisions is subject to exemptions provided in the Income Tax Act

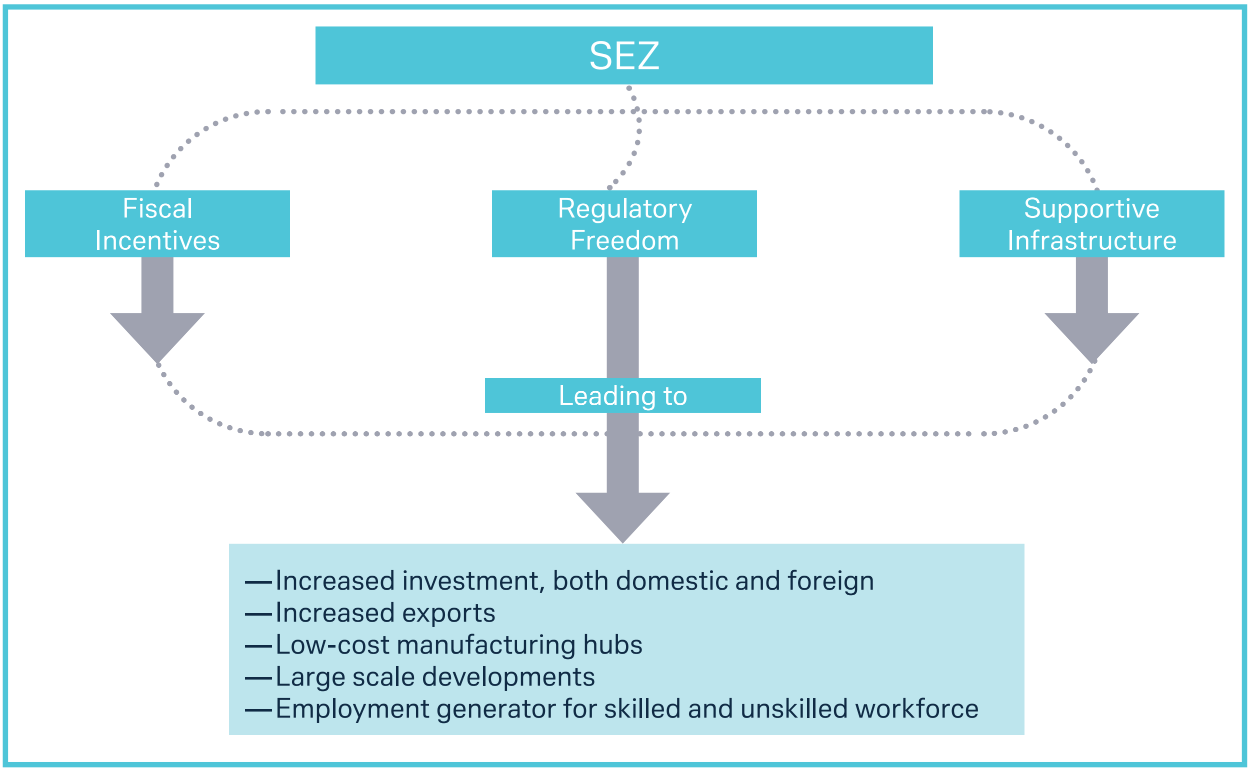
Category-I FPIs (under SEBI (FPI) Regulations, 2019) are exempt from Indirect Transfer provisions. Indirect Transfer provisions shall not apply in case of redemption of shares or interests outside India as a result of, or arising out of, redemption or sale of investment in India which is chargeable to tax in India.

14 Gujarat International Finance Tec-City (GIFT)

14.1. Background

GIFT is developed as a global financial and IT services hub, a first of its kind in India, designed to be at or above par with a globally benchmarked International Financial Centre. The purpose of setting up GIFT City is to develop a world-class smart city that becomes a global financial and technology hub with the development of an IFSC. GIFT City is a central business hub with state-of-the-art infrastructure elements along with excellent external connectivity. GIFT City has become an integral part of the India's growth story as the country marches towards realising the dream of becoming a developed nation.

Business Structure at IFSC



Source: https://www.giftsez.com

14.2. GIFT's Positioning

GIFT aspires to cater to India's large financial services potential by offering global firms the world-class infrastructure and facilities. It is positioned as a gateway for inbound and outbound investments in India. It also aims to attract the top talent in the country by providing the finest quality of life.

14.3. International Financial Services Centre (IFSC)

An IFSC is treated as an offshore jurisdiction established under Special Economic Zone (SEZ), and provides financial services to non-residents and residents, in any currency except Indian Rupee (INR). However, IFSC units can carry out administrative and statutory expenses in INR. The services are to be provided as permitted by regulations applicable to IFSC, which may differ from those applicable to outside the IFSC and are generally designed for relatively easier operations.

The IFSC in GIFT City seeks to bring to the Indian shores, those business segments that are currently carried on outside India by overseas financial institutions and overseas branches/ subsidiaries of Indian financial institutions. For all practical purposes it is to have the same ecosystem as their present offshore location, while being physically present on Indian soil.

14.4. Benefits of Setting up Operations in GIFT-IFSC

The IFSC in GIFT City will provide numerous benefits to the entities setting up operations there. Some of the benefits are as follows:

- State-of-the-art infrastructure at par with other global financial centres
- Fiscal incentives – Liberal tax regime for 10 years, state subsidies
- International dispute resolution mechanism through Singapore International Arbitration Centre
- Strong regulatory and legal environment, and lower operating cost
- Integrated ecosystem of banks, insurance companies, capital markets, law firms and consultancy firms
- A wholly transparent operating environment, complying with global best practices and internationally accepted laws and regulatory processes
- Pool of skilled professionals
- A modern transport, communications and internet infrastructure
- Only place in India which allows offshore transactions

14.5. Regulations that Govern IFSC

The regulatory framework for facilitating and regulating financial services relating to securities market in an IFSC will be primarily be governed by below Acts, and any rules/ regulations/ guidelines or circulars issued thereunder.

- Special Economic Zones Act, 2005
- International Financial Services Centres Authority Act, 2019

14.6. Regulatory Authority

The International Financial Services Centres Authority (IFSCA) is the unified authority for the development and regulation of financial products, financial services and financial institutions in the IFSC. IFSCA was established on April 27, 2020 under the International Financial Services Centres Authority Act, 2019 and is headquartered at GIFT City, Gandhinagar, Gujarat. IFSC Authority has assumed the powers and functions of SEBI, RBI and IRDAI to develop and regulate the IFSC jurisdiction.

The main objective of IFSCA is to develop a strong global connect and focus on the needs of the Indian economy and enable the IFSC to serve as an international financial platform for the entire region and the global economy as a whole.

IFSCA has issued the following key regulations:
- IFSCA (Banking) Regulations, 2020
- IFSCA (Market Infrastructure Institutions) Regulations, 2021
- IFSCA (Bullion Exchange) Regulations, 2020
- IFSCA (Fund Management) Regulations, 2022
- IFSCA (Capital Market Intermediaries) Regulations, 2021

14.7. Who Can Open Units in GIFT IFSC

Entities permitted to open a unit in IFSC:

Sectors	Entities Permitted in GIFT IFSC
Banking Sector	— Indian banks (viz. banks in the public sector and the private sector authorised to deal in foreign exchange) — Foreign banks already having presence in India subject to necessary regulatory approval from their home regulator
Insurance Sector	— Indian - Insurer/ Reinsurer — Foreign - Insurer/ Reinsurer — Insurance Broker (IFSC Insurance Broking Office (IIBO) are permitted to transact direct insurance/ reinsurance business from GIFT IFSC)
Capital Market	— Stock Exchanges/ Commodity Exchanges — Clearing Corporation — Depository — Stockbrokers, Trading Members — Investment Advisors — Portfolio Managers, AIFs, Mutual Funds - Eligible Foreign Investors — Custodians — Registrars/ Share Transfer Agents
Foreign Investors	— Eligible Foreign Investors (EFIs) and FPIs are permitted to open units in IFSC — SEBI has permitted off-market transfer of securities by FPIs for relocating to IFSC from other jurisdictions, as per guidelines — SEBI-registered FPIs, seeking to operate in IFSC, can do so without undergoing any additional documentation or prior approval process — FPIs, presently operating in Indian securities market and seeking to operate in IFSC, are required to ensure clear segregation of funds and securities — FPIs to keep their respective custodians informed about their participation in IFSC and Custodians to monitor compliance of this provision for their respective FPI clients

14.8. Tax Framework in the GIFT-IFSC

- Minimum Alternate Tax (MAT): 9% for IFSC units (not applicable to companies opting for new tax regime) (Rates subject to changes)
- Security Transaction Tax (STT): NIL
- Commodity Transaction Tax and Securities Transaction Tax: NIL
- Stamp Duty: NIL
- Dividend Distribution Tax (DDT): NIL
- Long Term Capital Gain (LTCG): NIL

- Tax holiday for 10 consecutive years out of block of 15 years (with respect to business income)
- Tax on capital gains on specified securities listed on IFSC exchanges by a non-resident or Category-III AIF located in IFSC: NIL (Gains accruing not chargeable to tax in India)
- GST on services (a) received by unit in IFSC; and (b) provided to IFSC/ SEZ units or offshore clients: NIL
- Tax on interest paid by IFSC units to non-residents: NIL
- Tax on interest paid to non-resident on long-term bonds and INR-denominated bonds listed on IFSC exchange: 4% (Rates subject to changes)

14.8.1. Exempted Transaction

Transfer of the securities mentioned below, by a non-resident on a recognised stock exchange in IFSC, has been exempted from Capital Gains Tax, provided the consideration for such transfer is in foreign currency.
- Bonds or Global Depository Receipt
- INR-denominated bonds of an Indian company
- Derivatives
- Foreign currency denominated bonds
- Units of a Mutual Fund
- Units of a Business Trust
- Foreign currency denominated equity shares of a company
- Units of an Alternative Investment Fund (AIF)
- Bullion Depository Receipts (BDRs) with underlying bullion

14.8.2. Tax Exemption for Relocation of Foreign Funds to IFSC

A comprehensive tax exemption proposed for relocation of offshore fund to IFSC (i.e., relocation of 'Original fund' to the 'Resultant fund').

Key aspects to be noted in this regard are as under:
- Tax exemption is available for shareholder/ unitholder/ interest-holder of foreign funds relocating to IFSC as Category-III Alternative Investment Fund. Exemption will be available on transfer of share/ unit/ interest in the foreign fund, in exchange for share/ unit/ interest of the Category-III AIF in IFSC

The pre-conditions, in addition to extant conditions specified in Income Tax Act are:
- The original foreign fund must not have as investors, person resident in India, in aggregate holding more than 5% of its corpus at the time of transfer of its assets to the fund in IFSC - The condition above is in addition to other conditions specified in section 47(viiac) and47(viiad) the Income Tax Act, 1961, and is applicable to all foreign funds relocating to IFSC
- The period of tax benefits to funds relocating to IFSC, GIFT City have been extended till March 31, 2025

Tax Disclaimer: Deutsche Bank does not provide any tax advisory services and clients are requested to consult their tax consultants on the applicable taxation laws in India and its compliance. Please consult and be guided by your tax consultant for all tax related matters.

14.9. Currency Permitted

The settlement of all the contracts traded in the stock exchanges in IFSC would be in USD.

14.10. Stock Exchanges Operating in IFSC

14.10.1. India International Exchange (India INX)

BSE established India's first International Exchange at the IFSC GIFT City, Gandhinagar called India International Exchange (India INX). India INX commenced trading activities on January 16, 2017 predominantly in various derivative products.

India INX operates for 22 hours a day to allow international investors and Non-Resident Indians to trade from anywhere across the globe.

14.10.2. NSE IFSC

NSE IFSC Limited, a fully owned subsidiary company of the National Stock Exchange of India, is a stock exchange launched as a global trading platform in the IFSC in GIFT City, Gandhinagar.

NSE IFSC Limited commenced trading activities on June 5, 2017.

14.10.3. India International Bullion Exchange (IIBX)

India International Bullion Exchange (IIBX) is India's first International Bullion Exchange set up at the GIFT City, and was inaugurated on July 29, 2022. This exchange is envisaged to be the gateway for bullion imports into India. India International Bullion Holding IFSCLimited (IIBH) is the holding company, which was formed by memorandum of understanding between NSE, MCX, India INX, NSDL, and CDSL. India International Depository IFSC Limited (IIDI) operates as a unified depository in IFSC.

14.10.4. Products Currently Being Offered by the Stock Exchanges in IFSC

Between India INX and NSE IFSC, following products are currently being offered:

- Index Derivatives:
  - SENSEX, SENSEX 50
  - NIFTY 50, NIFTY IT Index, FIN NIFTY Index, NIFTY Bank Index
- Indian Single Stock Derivatives
- Debt:
  - Foreign Currency Bonds
  - Masala Bonds (INR-denominated bonds issued offshore)
  - Green/ Social/ Sustainable bonds
- Commodity Derivatives:
  - Precious Metals
  - Base Metal
  - Energy
- Global Currency Derivatives:
  - EUR/ USD
  - GBP/ USD
  - JPY/ USD
- Currency Derivatives
- EUR/ USD
- GBP/ USD
- JPY/ USD
- CHF/ USD

— AUD/ USD
— INR/ USD
— USD/ INR
— Depository Receipts

14.10.5. Trading and Settlement

The clearing and settlement of trades executed on India INX and NSE IFSC are through their Clearing Corporations (CCs), namely INDIA ICC and NSE IFSC Clearing Corporation Limited (NICCL), respectively.

The clearing and settlement are done on a multilateral netting basis as per the settlement obligations of the respective Clearing Members (CMs). CMs shall be responsible for all obligations, among other things, including the payment of margins, penalties, any other levies and settlement of responsibilities of the trades entered by them as trading members and also of those trading members and custodial participants, if any, for whom they have undertaken to settle as a CM.

As a set process, all obligations in respect of trades entered by trading members will be transferred to the respective CMs who have undertaken to act as CMs for them.

14.11. Segregated Nominee Account Structure (SNAS)

Segregated Nominee Account Structure is permitted in IFSC. Orders of foreign investors may be routed through eligible Segregated Nominee Account Providers (Providers) for trading on stock exchanges in IFSC.

The broad features of the Segregated Nominee Account Structure are as below:

Criteria	Details
Entities Eligible to Offer SNAS	The following entities are permitted to offer SNAS, as Providers: — SEBI-registered brokers in IFSC — SEBI-registered Category-I and II Foreign Portfolio Investors (FPIs) — Trading/ Clearing Members of international Stock Exchanges/ Clearing Corporations that are regulated by a member of Financial Action Task Force (FATF)
Registration of Providers	Providers have to be registered with Stock Exchange/ Clearing Corporation in IFSC for providing Segregated Nominee Account services to their end-clients
Know Your Client (KYC) of End-Clients	— Providers are required to ensure appropriate due diligence of end-clients as per global standards, including KYC and Anti Money Laundering (AML) compliance before on-boarding clients for offering Segregated Nominee Accounts — An end-client can open a Segregated Nominee Account with only one Provider. Legal Entity Identifier (LEI) code can be used to ensure this and to ensure trades of an end-client are cleared and settled only through one clearing member — Each end-client will be assigned a Unique Client Code (UCC) by the Stock Exchange/ Clearing Corporation in IFSC
Margin Details	— Margins would be computed at the end-client level of Providers — Margins would be grossed up at and collected from Providers — Margin reporting shall be at the level of the 'Provider'
Monitoring of Position Limits	Position limits would be monitored at end-client level by Stock Exchanges/ Clearing Corporation in IFSC

Criteria	Details
Obligations of Stock Exchanges	— The Stock Exchanges, Brokers, and Providers are required to furnish to SEBI, information relating to trades on stock exchanges in IFSC, originated by/ through Providers, including KYC details of their end-clients, as and when requested — The Stock Exchanges ensure that the Providers adhere to the provisions of the Prevention of Money Laundering Act, 2002 (PMLA) and rules thereunder, including capturing the KYC information for sharing with the Central KYC Registry (CKYCR) to the extent applicable to FPIs

14.12. Recent Union Budget amendments

To enhance business activities in GIFT IFSC, the following measures are taken:

- Delegating powers under the SEZ Act to IFSCA to avoid dual regulation
- Amending IFSCA Act for statutory provisions for arbitration, ancillary services, and avoiding dual regulation under SEZ Act
- Setting up a single window IT system for registration and approval from IFSCA, SEZ Authority, GSTN, RBI, SEBI and IRDAI
- Permitting acquisition financing by IFSC banking units of foreign banks
- Recognising offshore derivative instruments as valid contracts
- Setting up of Data Embassies in GIFT IFSC

14.13. Important Links

http://giftgujarat.in/
http://www.indiainx.com/
https://www.nseifsc.com/
https://ifsca.gov.in/

15 Securities Lending and Borrowing

15.1. Overview

In India, Securities Lending and Borrowing (SLB) is offered on the exchange platform. FPIs are permitted to participate in the SLB market to lend and borrow securities through the SLB mechanism offered by the exchanges. Naked short selling is not permitted in the Indian securities market, and investors are required to mandatorily honour their obligations of delivering the securities at the time of settlement.

NSE Clearing Limited (NCL) and the Indian Clearing Corporation Limited (ICCL) (the Clearing Corporations) are the Approved Intermediaries (AI) for SLB transactions.

The borrowers and lenders execute trades through SLB participants like the brokers/ clearing members on the SLB platform of the AIs. The clearing and settlement of SLB trades by investors will be through the designated custodian of the institutional investors.

Some salient features of SLB are:

- Automated trading on AI-provided online platforms
- Clearing Corporations act as counterparties to every trade, and settlement is guaranteed
- Early Recall and Early Repay facilities are available
- Corporate actions are adjusted to ensure that the lender receives all benefits. In the event of corporate actions other than dividends, stock splits and AGM/ EGM, foreclosure is executed by the clearing house. In the case of AGM/ EGM, SLB product provides options to execute contracts with foreclosure or without foreclosure
- FPIs may purchase shares of companies which are on the foreign ownership ban list/ caution list, without prior RBI approval, for the purpose of meeting SLB repayment obligations, provided the purchase is to the extent of meeting SLB repayment obligations and the company whose shares are being purchased, was not under foreign ownership restrictions (caution or ban) at the time of executing the SLB trade
- Borrowing of equity shares by FPIs shall only be for the purpose of delivery into a short sale; institutional investors are required to disclose their intention to short sell upfront before placement of short sale order; brokers will be required to collect and collate scrip-wise details on short sales and upload it to the stock exchanges before the commencement of trading on the following day
- SLB contracts have been permitted to have tenure up to a maximum period of 12 months; the approved intermediary viz. Clearing Corporation/ Clearing House shall have the flexibility to decide the tenure of the contract, subject to the maximum period of 12 months

15.2. Collateral Management and Settlement Obligation

15.2.1. Items to be Secured by Collateral

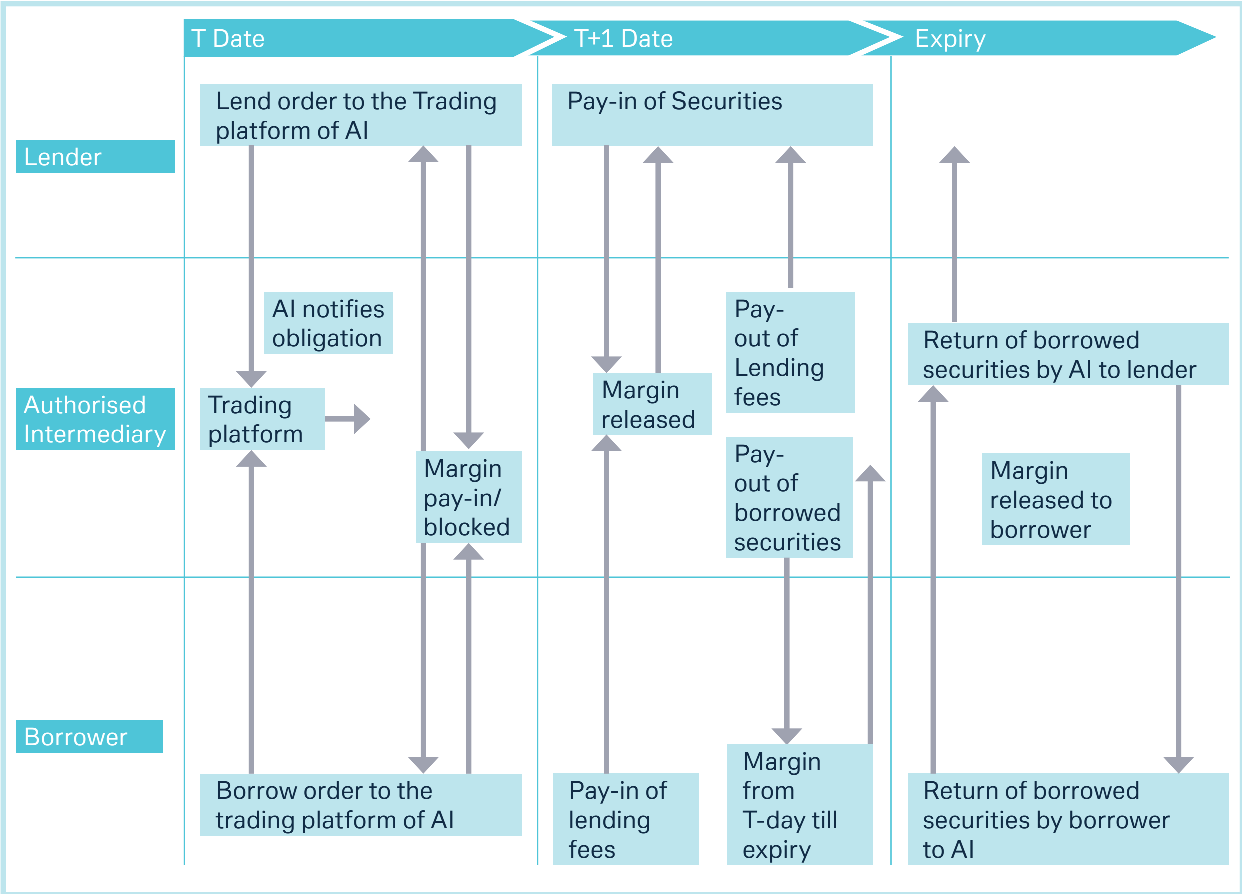
The contract value (i.e., value of securities on loan) + Fees paid for the SLB trade must be secured by collateral.

15.2.2. Collateral Ratio: Collateral Value/ (Contract Value* + SLB Fees)

Type of Transaction	Obligation	Payable by	Mode	When	Return
SLB Settlement Obligation	SLB fees payable to NCL/ ICCL NCL will transfer SLB fees to the lender on T+1	Borrower	Lending fee payable in cash.	T	T+1
Margins					
Borrow Margin	100% of Lending fees + Value of the trade	Borrower	Payable in cash or cash equivalents like bank guarantees, fixed deposits or securities specified by NCL or ICCL. However, FPIs must pay margins in cash only.	T	T+1
Borrow Margin	100% of Value of the trade — Value at Risk Margins — Extreme Loss Margins — Mark-to-Market Margins — Lending price as may be specified by NCL/ ICCL	Borrower	Payable in cash or cash equivalents like bank guarantees, fixed deposits or securities specified by NCL or ICCL. However, FPIs must pay margins in cash only.	T+1	Upon return of securities
Lend Margin	Fixed percentage (25%) of lending price as may be specified by NCL/ ICCL	Lender	Payable in cash or cash equivalents like bank guarantees, fixed deposits or securities specified by NCL or ICCL. However, FPIs must pay margins in cash only. Early pay-in of securities permitted to avoid margin payment.	T	Pay-in

* Contract value = closing price (or market price) of the previous day X quantity
— In case of successful early repayment requests, no margins shall be levied to the participant
— In case of early recall transactions, the lending fee shall be levied as upfront margin

15.3. SLB Transaction Execution Flow



15.4. Rollover Facility and Expansion of Eligible Securities

The Securities and Exchange Board of India (SEBI) modified the (SLB) framework by introducing the following:

- Roll-over facility:
  - Lenders/ Borrowers will be permitted to roll-over their positions. Under this facility, a lender who is due to receive securities in the pay-out of an SLB session may extend the period of lending. Similarly, a borrower who must return borrowed securities in the pay-in of an SLB session, may through the same SLB session, extend the period of borrowing
  - The roll-over shall be conducted as part of the SLB session
  - Netting between borrowed position and lent position will not be permitted for roll-over

- The list of eligible securities in SLB now includes the below:
  - Securities traded in the derivatives segment
  - Securities having MWPL ≥ INR 1 billion and average monthly trading turnover ≥ INR 1 billion in the previous six months
  - Liquid index which has traded on at least 80% of the days over the past six months and its impact cost over the past six months is ≤ INR 1 billion
  - The list of securities eligible to be traded in the SLB segment for the next month is published by both NCL/ ICCL on the last working day of every month

15.5. Termination Of Transaction

15.5.1. Termination at Maturity

Borrowed securities are to be returned at the end of the stock lending period.

15.5.2. Early Recall

The lender can recall securities on loan at any time.

15.5.3. Early Return

— The borrower can return securities on loan at any time before the maturity date of the transaction
— The borrower can make an early pay-in of securities to avoid paying MTM margin to the NCL/ ICCL

15.5.4. Defaults by the Borrower/ Lender

First Leg: In the event of funds shortage by the borrower, the SLB transaction shall be cancelled, and securities shall be returned to the lender along with lending fees. In cases where the lender fails to deliver securities, the transaction shall be closed out at higher of the following rates or as may be decided by the Clearing Corporation from time to time:
— 25% of the closing price of the security on T+1 day (closing price for the security in the capital market segment of NCL/ ICCL), or
— The highest rate of the security from the trading day to T+1 day minus T+1 day closing price of the security

Return Leg: In the event the borrower fails to return the securities the clearing house/ corporation shall conduct a buy-in auction in the equity segment. If the security cannot be bought through the buy-in auction, the transaction shall be closed out.

If the security cannot be bought through the buy-in auction, the transaction is closed out as per the below procedure.
Higher of:
— The maximum traded price in the capital market segment of NCL/ ICCL from T+1 day to T+(n+1) day, or
— 25% above the closing price of the security in the capital market segment on the T+(n+1) day

In all cases of shortages, the Clearing Corporation may initiate various actions including withdrawal of access to the order matching platform, withholding of the securities/ funds pay-out due to the SLB participant or any other action as may be intimated from time to time.

15.6. Corporate Actions

The following adjustments have been provided for corporate actions during the SLB tenure:

- Dividend: The dividend amount would be worked out and recovered from the borrower on the book closure/ record date and passed on to the lender
- Stock Split: The open position would be proportionately adjusted for the revised quantity based on the ratio as on ex-date

Other corporate actions such as bonus/ merger/ amalgamation/ open offer etc.: In case of other corporate actions such as bonus/ merger/ amalgamation/ open offer etc., the transactions shall be foreclosed on the ex-date and there would be no trading activity allowed on them one working day prior to the ex-date. The lending fee would be recovered on a pro-rata basis from the lender and returned to the borrower.

15.7. Position Limits (in Number of Shares)

Position limits shall be as under:

- The market-wide position limit for SLB transactions shall be 10% of the free-float capital of the company in terms of the number of shares
- No clearing member shall have an open position of more than 10% of the market-wide position limit. The position limit for an institutional investor shall be the same as that for a clearing member
- The client-level position limit shall not be more than 1% of the market-wide position limit

T+1 Settlement in Cash Market Segment – The India Story

Rana Usman

Senior Vice President and Head - Clearing & Settlement, NSE Clearing Limited

The Indian securities market saw a gradual transition in terms of settlement cycles, procedures and mechanism. It moved from a fortnightly account period settlement to a weekly account period settlement and in 1998,with the advent of dematerialisation of securities, rolling settlement was introduced in the Indian securities market space. Starting with an optional T+5 day rolling settlement in 1998 the market steadily moved to shorter settlement cycle of T+3 rolling settlement in 2002 and within a year, in 2003, on the back of enhancements in the banking system and compulsory dematerialisation of securities the Indian securities market embarked on a T+2 day rolling settlement cycle. The Indian securities market was among the earliest globally to have a compulsory T+2 rolling settlement in cash equities segment almost two decades back! To give a perspective, Europe moved to T+2 settlement cycle in October 2014, while U.S. moved to T+2 settlement cycle in September 2017.

The Securities and Exchange Board of India (SEBI) issued a circular on September 7, 2021, through which SEBI, effective January 1, 2022, provided the flexibility to the stock exchanges to offer T+1 settlement cycle for any of the stocks.

In the Indian context, to move the market to a shorter cycle was challenging considering the varied investor base and their accordingly conflicting asks - the retail/ non-institutional investors desired a shorter settlement cycle for capital efficiency and trading facilitation while the institutions particularly the foreign portfolio investors saw the proposed settlement cycle timelines as a challenge in view of time zone differences and resultant operational challenges. Further, the existing settlement timings were also not to be compromised as any delay in pay-out timings would render the shortened settlement cycle infructuous for investors who would want to use the pay-out proceeds for further investments, or other purposes.

With an objective to promote shorter settlement cycles, stock exchanges and clearing corporations engaged with domestic and foreign market participants with regard to the operational aspects of T+1 settlement. The Market Infrastructure Institutions (MIIs) received two critical feedbacks from the market participants:

1. If a stock is in T+1 settlement cycle in one exchange and in T+2 settlement cycle in other, it would be confusing for the market participants and further would take away the benefits of netting, due to interoperability
2. The move to T+1 settlement cycle to be done in a phase-wise manner

The stock exchanges, under the guidance of SEBI, considered the feedback from the market participants, and agreed to publish a common roadmap for securities to move to T+1 settlement cycle in a phase-wise manner with approximately 500 scrips chosen in ascending order of market capitalisation to be moved to T+1 settlement cycle every month.

Thus, began the journey of re-engineering the processes and crunching timelines to adapt to shorten the settlement cycle of cash market segment towards T+1 settlement from February 25, 2022, till January 27, 2023, when the entire market moved to T+1 settlement. During this transitory period of one year, both T+1 and T+2 co-existed. It was a mammoth task to follow two settlement cycles simultaneously. From the February 2023 expiry, even equity derivatives' final settlement moved to a T+1 settlement cycle.

In the course of the one year following the start of the T+1 settlement cycle, market feedback was taken along the way and facilitations were provided to ensure a smooth implementation. The phased implementation approach enabled the custodians also to test waters and to put mechanisms in place to address concerns regarding forex bookings and time zone differences.

The securities having highest market capitalisation moved to T+1 settlement in the last tranche in January 2023. The transition was smooth and all the small hiccups were smoothened out. There was close co-ordination of the clearing corproations with the clearing members and custodians, and great support and guidance from the regulator in this journey helped to ensure a smooth implementation.

The cash market settlement and futures & options' physical settlement are executed on a T+1 day since January 27, 2023.

Benchmarking the Alternatives

Piyush Gupta

Director - Funds Research, CRISIL Market Intelligence & Analytics

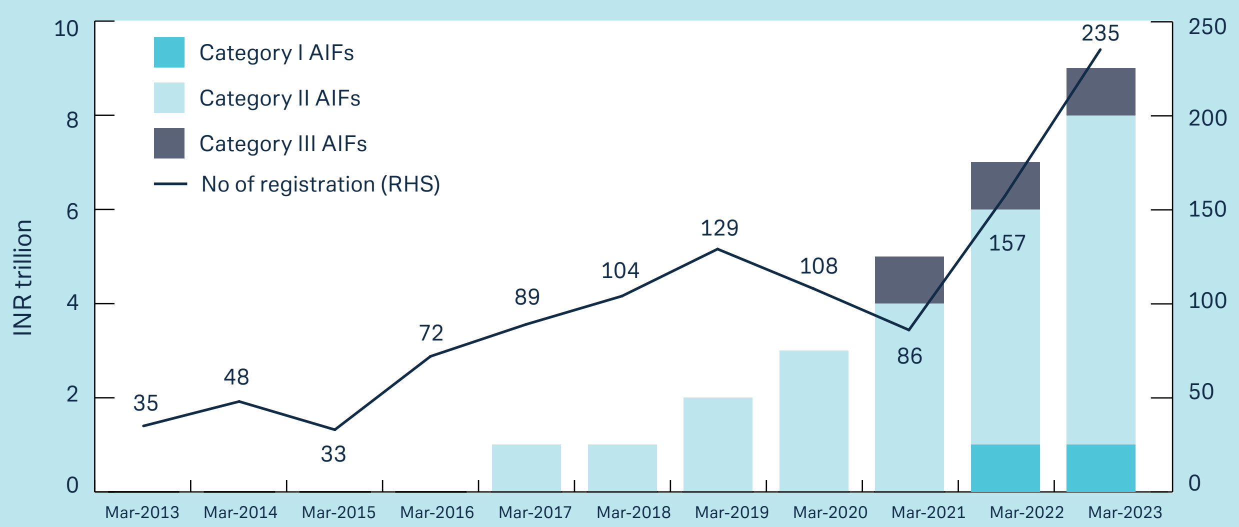
Over the past decade, affluent Indian investors have been increasingly ploughing money into big-ticket capital market instruments such as Alternative Investment Funds (AIFs), which require minimum investment of INR 1 crore.

The total commitments garnered by AIFs (1,096 registered as on March 31, 2023) increased from INR 0.014 trillion in March 2013, to INR 8.33 trillion in March 2023.

The investment pace has accelerated over the past five years, with two-thirds of the total AIFs having been registered during the period and commitments rising 5X.

By 2027, CRISIL expects the AIF industry assets under management to touch INR 26 trillion, fired by the twin engines of winning relative performance and adoption of best practices such as benchmarking.

Total Commitments



Source: SEBI

Note:
1) Total commitments raised is a cumulative manner
2) The number of registrations refers to the number of AIFs registered on an annual basis

Winning Performance

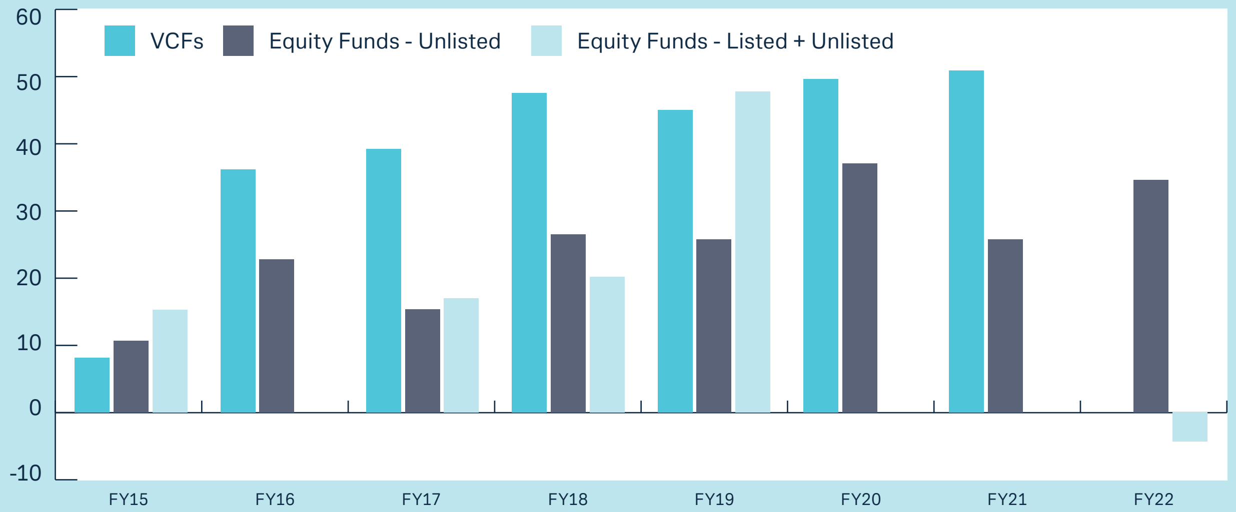
AIFs have been yielding higher returns than actively managed mutual funds and fixed-income funds. AIFs are likely to remain the fastest-growing segment on the investment landscape over the next few years, as a rising number of the rich look at differentiated products and better returns for their investments.

Pooled Internal Rate of Return (IRR) forms an appropriate measure for performance comparison since the fund manager controls the timing of cashflows. It denotes the IRR calculated at an aggregate level by pooling cashflows within all the schemes belonging to a particular vintage year.

Category-I Venture Capital Funds (VCFs) benchmarks for most of the vintage years have outperformed other equity-oriented category benchmarks within Categories I and II as of September 2022. The VCF benchmark for FY 2021 had the highest IRR of 50.92% followed by FY 2020 benchmark (49.72%).

Within Category-II, the benchmarks for Equity Funds – Unlisted category belonging to five out of eight vintage years have been the top performers. For vintages FY 2015, FY 2017 and FY 2019, however, the benchmarks for Equity Funds – Listed + Unlisted have assumed the top spot among the sub-categories analysed.

VCFs vs Other Equity-Oriented AIFs

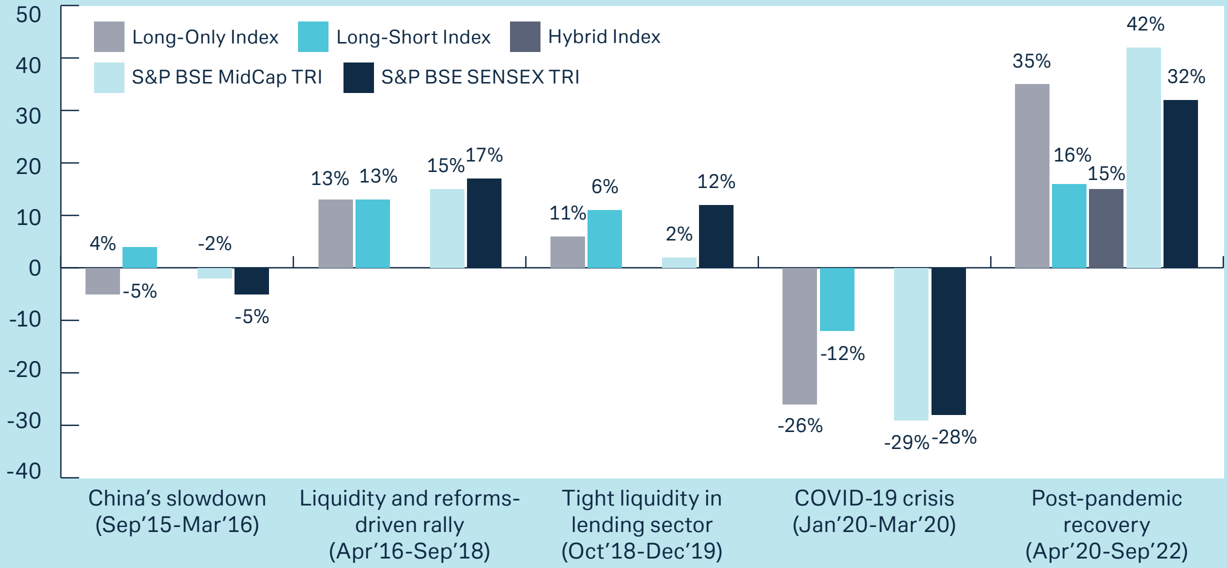


Source: CRISIL MI&A Research

Note: Performance as of September 2022, and based on data collected for CRISIL AIF half-yearly benchmarking

Meanwhile, an analysis of Category-III AIFs shows that the Long-Short funds cushioned the downside during the bear phases in the past decade.

Market-Phase Performance of Category-III Funds – Long-Short and Long-Only

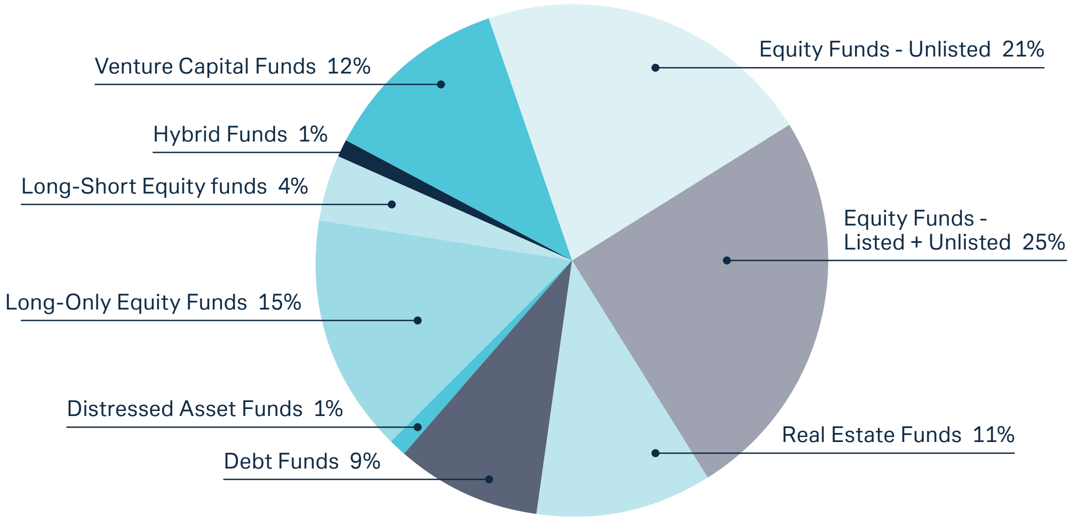


Source: CRISIL MI&A Research

Note: Performance as of September 2022, and based on data collected for CRISIL AIF half-yearly benchmarking

Sub-category valuations have increased in the recent years. As of September 2022, the valuation of the schemes considered for sub-category benchmarks totalled INR 3.3 trillion, which is 85% of the total value considered for category-level benchmarks. Equity Funds – Listed + Unlisted under Category-II AIFs have the largest asset size of INR 825 billion, followed by Equity Funds - Unlisted under the same category (INR 693 billion).

Sub-Category-Wise Valuation Break-Down



Source: CRISIL MI&A Research

Note: Data as of September 2022, and based on data collected for CRISIL AIF half-yearly benchmarking

Benchmarking can Enable Metric-Driven Investment Decisions

The AIF industry in India manufactures multiple sub-types of funds as listed below that are varied in terms of investment strategy and target market. The variety in fund types also makes performance comparison difficult of equivalent funds.

Category-I	Category-II	Category-III
— VCFs	— Equity Funds – Unlisted — Equity Funds – Listed + Unlisted — Real Estate Funds — Real Estate Funds - Residential — Debt Funds — Distressed Asset Funds	— Long-Only Equity Funds — Long-Short Equity Funds — Hybrid Funds

Adoption of benchmarking practices enable metrics-driven investment decision-making by stakeholders, based on comparison of equivalent funds. Such benchmarking facilitates investors to home in on the type of fund best-suited to their investment objective(s), besides enabling intermediaries to focus on specific types of funds for their clients, and the AIFs to compare their performance for peer set comparison and analysis.

Yield Curve Shift Shapes Fixed Income Dynamics

Jiju Vidyadharan
Senior Director, CRISIL Market Intelligence & Analytics

A look at how rising interest rates have impacted the market and what to expect now.

In the years before COVID-19, the yield curve was an upward sloping one with short-term rates being lower than the long-term rates.

Once the pandemic took hold, the Reserve Bank of India (RBI) had to change its stance to make the monetary policy accommodative. In a bid to put more money in the hands of the consumer, the central bank lowered the interest rates and injected liquidity through various short-term means, which took the yield curve into a steeper trajectory with short-term rates going down.

In the months that followed, however, this easy money policy acted as a catalyst for inflation. Strong consumer demand, coupled with supply-side shocks on account of the pandemic and then the Russia-Ukraine conflict lifted inflation to monstrous levels. Food and energy prices shot up, taking the headline inflation to multi-year highs.

The turn of events led the RBI and other central banks around the world to change their stance. The RBI raised interest rates in an unscheduled meeting of its Monetary Policy Committee in May 2022.

That shifted the yield curve trajectory. From being considerably steep in the second quarter of FY 2022, it flattened in subsequent periods. Short-term rates shot up at a rapid pace. The rate hikes continued through the rest of the year, and into FY 2023, as demand stayed robust, and core inflation became sticky.

Here's how the market shift has played out through various performance trends so far.

Rising Rates Benefited Target Maturity Funds

The rising interest rates have proven beneficial for the target maturity strategy, which usually targets the steepest part of the curve, follows a roll-down approach, and flourishes when interest rates rise during the life of the fund. The fund experiences higher income due to reinvestment of cashflows at higher rates.

Indeed, in one such index the CRISIL IBX-AAA June 2023 — which consisted of AAA-rated PSUs and private securities maturing in the six months leading up to June 2023 — the total return surpassed the initial yield on maturity. The market saw yields hardening in the relevant tenures during the period, which acted as a catalyst for the index. The reinvestment income generated on account of higher rates benefitted the index. As a result, the overall return was 5.34%, 21 basis points (bps) higher than the yield of 5.13% on the inception date of this index.

Medium-Term Gilt Outperformed AAA Counterpart

The risk premium did not seem to be compensated with yields for the medium-term gilts having decreased more than their AAA-rated counterparts for the period. The increase in the credit spread in the medium-term segment, with a modified duration of three to five years, was 15-20 bps on an one-year basis. This led the CRISIL AAA Medium Term Bond Index (modified duration ~3.25) to underperform compared with historical trends. Medium-term gilts (modified duration ~3.6) returned ~6.81%, but AAA-rated medium-term counterparts underperformed more than 50 bps, returning ~6.29%. Thus, gilt medium-term performed better over July 2022 to July 2023.

Spread Compression in AA, AA+ Segments Leading to Higher Returns

The credit spread as measured by the portfolio yields' difference of CRISIL AA Long Term Bond Index over CRISIL AAA Long Term Bond Index has narrowed significantly, and is close to its lows seen in 2017 and 2018. The spread, which had moved all the way up to ~6% during the COVID-19 period, on account of low investor risk tolerance, is now close to 1.2%.

This is visible in the bond market index returns as the difference between the returns of CRISIL Composite Credit Risk Index and CRISIL Corporate Bond Composite Index over the past one year beats their yield to maturity (YTM) difference by 1.22 percentage points.

The one-year return for the CRISIL Composite Credit Risk Index, which tracks the performance of the debt portfolio comprising AAA to A- rated bonds, turned out to be 10.02%, compared with 7.25% for the CRISIL Corporate Bond Composite Index, which tracks the performance of the debt portfolio comprising AAA to AA- rated bonds.

The Variation in Term Spreads Pre- And Post-COVID-19

Under normal yield curve scenarios, investors are rewarded for holding longer-maturity bonds through term premiums.

The yield curve of Indian Government Securities had steepened considerably after the pandemic, with the term spread — or the difference in yields between long- and short-duration securities — rising as much as 350 bps.

As the RBI hiked repo rates through 2022, the term spread gradually narrowed to 50 bps as short-term yields rose, tracking the repo rate, but long-term yields fell last year.

The returns of gilt indices tracking the eight most liquid securities across different tenures tell the tale. Portfolio yields have eased 65 bps over the last one year for the CRISIL Long Term Gilt Index (10 years and above), 50 bps for the CRISIL Medium Term Gilt Index (5 to 10 years) and 9 bps for the CRISIL Short Term Gilt Index (less than 5 years).

The term spread contraction observed along with easing, has led the CRISIL Long Term Gilt Index to outperform other term gilt indices considerably. For the last one year, the CRISIL Long Term Gilt Index returned 10.29%, compared with 6.45% and 7.82% for the CRISIL Short Term Gilt Index and CRISIL Medium Term Gilt Index, respectively.

What to Expect Now

The RBI is keen on bringing inflation into its target range, as it has stated on multiple occasions. Though inflation has cooled down compared with last year — in part, due to base-effect — uncertainty around food prices prevails.

Food inflation, which is transitory in nature, should not serve as a reason for another rate hike. The onus is on fiscal authorities to get food inflation under control as it is a supply-side phenomenon, and we believe RBI has a watchful eye on it.

We expect the RBI to maintain the status quo in the next policy meeting in October 2023, and the yield in March 2024 to be at 7%. Stability, or even slight easing, around the 10-year yield may help restore the demand for target maturity funds.

ANNEXURE

1 Forms and Declarations

Annexure 1.1 Common Application Form (CAF)

(Provided below is the format of CAF, an online digital form for FPI registration and PAN issuance)

Only Individuals to affix recent photograph (3.5cmx2.5cm)
Signature/ Left Thumb Impression across the photo

COMMON APPLICATION FORM

[Single Combined Application form for registration of Foreign Portfolio Investor (FPI) with SEBI, Allotment of Permanent Account Number (PAN) and Know Your Customer (KYC) for opening Bank & Demat Account.]

To avoid mistake(s), please follow the accompanying instructions and examples before filling up the form

Only Individuals to affix recent photograph (3.5cmx2.5cm)
Signature/ Left Thumb Impression across the photo

Sir,
I/We hereby request that a Permanent Account Number & FPI registration number be allotted to me/us. In this context, I/We give below necessary particulars:

Part A – KYC Information

1) Name of the Applicant
(Full expanded name to be mentioned as appearing in proof of identity/ address documents: initials are not permitted)

Please select title, ☑ as applicable ☐ Shri/Mr. ☐ Smt/Mrs. ☐ Kumari/Ms. ☐ M/s

Last Name/ Surname

First Name

Middle Name

2) Abbreviation of the Name, as you would like it, to be printed on the PAN card

3) Have you ever been known by any other name? ☐ Yes ☐ No (Please tick as applicable)

If yes, please give that other name

Please select title, ☑ as applicable ☐ Shri/Mr. ☐ Smt/Mrs. ☐ Kumari/Ms. ☐ M/s

Last Name/ Surname

First Name

Middle Name

4) Date of Birth/ Incorporation/ Agreement/ Formation of body of Individuals or Association of Persons/ Establishment (DD/MM/YYYY)

	Particulars	Date (DD/MM/YYYY)
a)	Date of Birth/ Incorporation/ Agreement/ Partnership or Trust Deed/ Establishment/ Formation of body of Individuals or Association of Persons	
b)	Date of Commencement of Business (Not applicable for Individuals)	

Signature of the Applicant ____

5) Place and Country of Birth/ Incorporation/ Establishment/ Formation

Place ______________________ Country [▾] ISD Country Code: [| |]

In case of Foreign Individual applicant, please specify the nationality and passport no. of the applicant:

Nationality/ Citizenship: [ ] ISD country code: [| |] Passport No. ______________

6) Legal Entity Identifier & Tax Residency Certificate details

	Particulars	Details		
a)	Legal Entity Identifier (LEI)			
b)	Tax Residency Certificate (TRC) No.		Country of Tax Residency	▾

+Add (Add row in case of Multiple Tax Residency Countries)

7) Address & Communication Details

a) Registered/ Residence Address

Flat/ Room/ Door/ Block No.

Name of Premises/ Building/ Village

Road/ Street/ Lane/ Post Office

Area/ Locality/ Taluka/ Sub-Division

Town/ City/ District

State/ Union Territory

Pin Code/ Zip Code Country Name [▾]

b) Office Address

Name of Office

Flat/ Room/ Door/ Block No.

Name of Premises/ Building/ Village

Road/ Street/ Lane/ Post Office

Area/ Locality/ Taluka/ Sub-Division

Town/ City/ District

State/ Union Territory

Pin Code/ Zip Code Country Name [▾]

c) Address of Communication/Correspondence ☐ Registered/ Residence ☐ Office (Please tick as applicable)

d) Contact Details:

Sr. No.	Particulars	Registered/ Residence			Office		
		Country Code	Area/ STD Code	Number	Country Code	Area/ STD Code	Number
1.	Telephone Number						
2.	Mobile Number						
3.	Fax Number						
4.	Email ID						
5.	Website						

Signature of the Applicant ______________________________

8) Information regarding Ultimate Beneficial Owner (End Natural Person)

a) Individual Custodian/ DDPs may seek additional documentation/ ownership details at a lower threshold than prescribed, based on their independent evaluation and risk classification of the respective FPI applicants on the basis of multiple parameters such as home jurisdiction, type of entity, nature of business etc.

☐ We declare that there is no natural person/ individual who are ultimately holding > ______ % beneficial ownership directly/ indirectly into the entity as well as on controlling basis for companies, Trust & General Partner/ Limited Partnership structure. We therefore provide details of the senior managing official of the FPI as under.

☐ The list of beneficial owners as per materiality threshold for controlling ownership interest and/ or on control basis is provided as under:

Sr. No.	Name & Address of the Beneficial Owner (Natural Person)	Date of Birth	Tax Residency Jurisdiction	Nationality	Whether acting alone or together, or through one or more natural person as group with their name & address	BO Group Percentage Shareholding/ Capital/ Profit Ownership in the FPIs	Tax Residency Number/ Social Security Number/ Passport Number of BO/ any other Government issued identity document number (example Driving License) [Please provide any]
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)

b) Does it have few persons or persons of the same family holding beneficial ownership and control?
☐ Yes ☐ No

9) Income details

a) Source of Income: ______ Code for Business/ Profession ______

b) Gross Annual Income (in INR): ______________________

Net Worth (Asset less liabilities) (in INR): ________________as on: ________________(DD/ MM/ YYYY)

10) Occupation Details:

For Individuals ______ For Non–Individuals ______

11) Documents submitted as Proof of Identity (POI) and Proof of Address (POA) for KYC

Proof of Identity (POI) ______ Proof of Address (POA) ______

12) Whether the applicant or the applicant's authorised signatories/ Promoters/ Partners/ Trustees/ Whole Time Directors/ Office bearer is

a) A politically exposed person ☐ Yes ☐ No
b) Related to a politically exposed person ☐ Yes ☐ No

Part B – FPI Registration Information

13) Category of Applicant

Classification of applicant (please select the most appropriate category. Refer 'instruction/ guidelines')

a) Type of category ______ Name of Sub-Category ______

b) Investing/ Non-Investing entity (only applicable for Investment Manager)

Signature of the Applicant ________________________________

14) Whether the applicant is seeking registration under Multi Investment Manager (MIM) structure?

☐ Yes ☐ No

15) Details of Investment Manager of FPIs which are registered under regulation 5(a) of SEBI (FPI) Regulations, 2019 (as amended from time to time) or FPI seeking registration under MIM structure

Sr. No.	Name of Investment Manager	SEBI Registration No.

16) Whether the applicant has provided with valid self-certification/ FATCA/ CRS declaration form?

☐ Yes ☐ Not Applicable

17) Information pertaining to the compliance officer

Name			
Job Title			
Telephone No.			
E-mail ID		Fax No.	

18) Details of Regulatory authority by which the applicant is regulated (If applicable)

Name			
Country		Website	
Registration Number/ Code with Regulator, if any			
Category/ Capacity in which the applicant is Regulated			

19) Whether the applicant is coming through Global Custodian? ☐ Yes ☐ No

If yes, please provide name of Global Custodian	
Name of Regulator	
Registration Number/ Code with Regulator, if any	
Address	

20) Details of the Designated Depository Participant, Custodian of Securities and designated AD Category-I bank appointed

a) Name of the DDP/ Custodian of Securities/ Depository Participant

Name		SEBI Registration number	

b) Details of designated AD Category-I bank (approved by RBI)

Name of the Bank and Branch	
Address	

21) Disciplinary History

Whether there has been any instance of violation or non-adherence to the securities laws, code of ethics/ conduct, code of business rules, for which the applicant or its parent/ holding company or associate/ or promoter/ investment manager may have been subjected to criminal liability or suspended from carrying out its operations or the registration, has been revoked, temporarily or permanently or any regulatory actions that have resulted in temporary or permanent suspension of investment related operations in the applicant's home jurisdiction and has a bearing on obtaining FPI registration for investing in India?

☐ Yes ☐ No (If yes, please mention details briefly in below box. For more details, enclose Annexure)

Signature of the Applicant ____

22) Clubbing of Investment Limit

☐ We share common ownership, directly or indirectly, of more than fifty percent or common control with other FPIs and are not exempt from regulation 22(4). Details of investor group are as below:

Sr. No.	Name of FPI/ ODI subscriber with whom the applicant shares, ownership of more than 50% or common control	If ODI subscriber, please mention the name of dealing FPI	Registration No. of FPI

☐ In case Clubbing of investment limits of FPIs having common control is not being done in case of public retail funds as referred in Regulation 22(4), please provide following details:

Sr. No.	Name of FPI	FPI Registration Number	Name of Common Controlling Person

23) Details of prior association with Indian securities market

Whether the applicant was anytime associated with Indian securities market as FPI, FII, Sub Account, QFI or FVCI? ☐ Yes ☐ No

Name of the Entity	Registered/ associated as	SEBI Registration No. (if applicable)

Part C – Additional Information for obtaining PAN

24) Whether the applicant already holds PAN [▾] If Yes, please mention PAN: ______________

If No, then below mentioned fields will be applicable.

25) Status of Applicant [▾]

26) Assessing Officer (AO code)

Area code			AO type			Range code			AO No.		

27) Registration Number (for Company, Firms, LLP, etc.) (Not applicable to Individuals)

28) Representative or Agent of the Applicant in India

Full Name (Full expanded name: initials are not permitted)

Please select title, ☑ as applicable ☐ Shri/ Mr. ☐ Smt/ Mrs. ☐ Kumari/ Ms. ☐ M/ s

Last Name/ Surname ______________________

First Name ______________________

Middle Name ______________________

Signature of the Applicant ____

Address

Flat/ Room/ Door/ Block No.

Name of Premises/ Building/ Village

Road/ Street/ Lane/ Post Office

Area/ Locality/ Taluka/ Sub-Division

Town/ City/ District

State/ Union Territory

Pin Code/ Zip Code

29) In case of a Public company, whether listed on a Stock Exchange

☐ Yes ☐ No If yes, then indicate name of the Stock Exchange: ____________________

30) Is the entity involved/ providing any of the following services

Foreign exchange, Money Changer Services	☐ Yes	☐ No
Gaming/ Gambling/ Lottery services (Casinos and Betting Syndicates)	☐ Yes	☐ No
Money Lending, Pawning	☐ Yes	☐ No

31) Documents submitted as a Proof of Identity (POI) & Proof of Address (POA) for PAN

I/ We have enclosed ________ as a Proof of Identity, ________ as Proof of Address, & ________ as mandatory certified documents [please refer to the instructions (as specified in Rule 114 of I.T. Rules, 1962) for list of mandatory certified documents to be submitted as applicable]

Part D – Additional Information Applicable Only for Individuals

32) Gender:

33) Marital Status:

34) Citizenship Status:

In case of Foreigner, country of citizenship:

35) Details of Parents: (Applicable only for individual applicants)

Whether mother is a single parent and you wish to apply for PAN by furnishing the name of your mother only?
☐ Yes ☐ No (please tick as applicable)
If yes, please fill in the mother's name in the appropriate space provide below.

Father's Name (Mandatory except where mother is a single parent and PAN is applied by furnishing the name of mother only)

Last Name/ Surname

First Name

Middle Name

Mother's Name (optional except where mother is a single parent and PAN is applied by furnishing the name of mother only)

Last Name/ Surname

First Name

Middle Name

Select the name of either father or mother which you may like to be printed on PAN card (Select one only)
☐ Father's Name ☐ Mother's Name (please tick as applicable)
(In case no option is provided then PAN card will be issued with father's name except where mother is single parent and you wish to apply for pan by furnishing name of the mother only)

Signature of the Applicant ____________________

36) Spouse Name

PART E – Depository and Bank Account Opening

37) Details To Be Obtained For Opening Depository Account

a) Authorisation

☐ I/ We hereby request Depository Participant viz., ____________________________________(Name of the DP) to open Depository account in my/ our name as mentioned in the application form.

OR

☐ I/ We is/ are non-investing FPI and do not wish to open Depository Account.

b) Mode of Operation for Sole/ First Holder (in case of joint holdings, all the holders must sign) [applicable to Non-individuals]

☐ Any one single	
☐ Jointly by	
☐ As per resolution	
☐ Others (please specify)	

38) Bank Account Information

☐ I/ We hereby request to open Special Non-Resident Rupee (SNRR) Account in my/ our name.

OR

☐ I/ We is/ are non-investing FPI and do not wish to open Bank Account.

PART F – Declaration and Undertaking

I/ We ______________________________, the applicant, in the capacity of __________________________ do hereby declare that what is stated in the aforesaid application form (including the enclosed documents/ annexures) is complete and true to the best of my/ our information and belief. I/ We undertake to inform you of any changes therein, immediately. In case any of the above information is found to be false or untrue or misleading or misrepresenting, I am/ we are aware that I/ we may be held liable for it. I/ We hereby apply for registration as Foreign Portfolio Investor (FPI) in accordance with the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019, obtain Permanent Account Number (PAN) from Income Tax Department of India and open Depository Account & Bank Account (if applicable). Further, I/ we have read and understood the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019, circulars issued thereunder, its operating guidelines, reply to frequently asked questions on FPI regime provided by SEBI and shall abide with any other terms and conditions specified by SEBI from time to time. I/ We hereby declare that I/ we fulfill the eligibility criteria under the FPI Regulations and I/ we am/ are eligible to register as a FPI. Further, I/ we hereby declare that I/ we do not hold PAN issued by Income Tax Department currently and shall be liable for penalty of Rs. 10,000/ - as per provision of section 272(B) of Income Tax Act, 1961 for possession of more than one PAN.

Place: ____________________________________Date: ____________________________________

For and on behalf of applicant

Signature of Authorised Signatory	
Name	
Designation (not applicable to individual persons)	
Date	DD/MM/YYYY

Signature/ Left Thumb Impression of Applicant (Inside the box)

Signature of the Applicant ____

FOR OFFICE USE ONLY

Name of Depository Participant			
Address of Depository Participant			
DP ID		Client ID	

Applicant Bank Account Information (To be captured in the depository system)													
1)	Bank Account Type – Others-SNRA ________________												
2)	Bank Account Number												
3)	Bank Name												
4)	Branch Address												
		City/ Town/ Village				PIN Code							
		State				Country							
5)	MICR Code												

Documents Received ☐ Risk Category ☐

IN PERSON VERIFICATION CARRIED OUT BY

Identity Verification: ☐ Done Date: ☐☐ ☐☐ ☐☐☐☐

Emp. Name ________________ Emp. Code ________________

Emp. Designation ________________ Emp. Branch ________________

Signature

INSTITUTION DETAILS

Name ________________

Code ________________

(Institution Stamp)

Signature of the Applicant ________________

1.2 Annexure to CAF

A: Declaration and Undertaking

1) I/ We have read and understood the extant Indian laws, rules, regulations including SEBI (FPI) Regulations, 2019, FEMA Act 1999 and rules & regulations made thereunder, Depository and Depository Participants Regulations, circulars, guidelines issued therein and shall in relation to my/ our activities as FPI, at all times, comply with and subject myself/ ourselves to any other terms and conditions specified by SEBI, RBI, Depository or any other regulators from time to time.
2) I/ We undertake to provide additional information/ documents (including KYC documents exempted by SEBI and RBI)/ declarations and undertakings as may be required by you/ demand from any regulator/ law enforcement agency/ exchange without delay to ensure compliance with the Prevention of Money Laundering Act, 2002 and rules and regulations prescribed thereunder, FATF standards and circulars issued from time to time by SEBI, RBI or any other regulators in compliance with said requirement.
3) I/ We undertake to abide by operational instructions/ directives as may be issued by Securities and Exchange Board of India, Reserve Bank of India or any other authority from time to time under provisions of the Act or any other applicable law.
4) I/ We acknowledge the receipt of copy of the document, "Rights and Obligations of the Beneficial Owner and Depository Participant".
5) We authorise custodian to operate the account through Power of Attorney (POA) and not to receive credits automatically into our account.
6) We authorise custodian to send statement of account in electronic form and we will ensure the confidentiality of the password of the email, as applicable.
7) We authorise custodian to maintain appropriate house account details on depository platforms for the purpose of collection of monetary corporate benefits and any other similar activities on our behalf.

B: Additional information

1. Separate registration for the purposes of hedging the ODIs with derivatives as underlying in India? (applicable only for Category-I)

☐ Yes ☐ No

2. If segregated portfolio is maintained for each sub-funds or share classes/ equivalent structures of the applicant, names of such sub-funds or share classes/ equivalent structures that intend to invest in India.

☐ Yes ☐ No

Sr. No.	Name of sub-funds or share classes/ equivalent structures that intend to invest in India

(BO declaration is required for each fund/ sub-fund/ share class/ equivalent structure that invests in India)

3. Details of eligible Category-I entity registered under 5(a)(v)(B) of SEBI (FPI) Regulations, 2019 (as amended from time to time)

Name of entity	Country	Entity type as per Regulation 5(a)

4. Bank or subsidiary of bank declaration

☐ We are not a bank or a subsidiary of a bank

☐ We are a bank or a subsidiary of a bank and we/ group companies have a branch office or representative office in India

☐ We are a bank or a subsidiary of a bank and we/ group companies do not have any branch office or representative office in India

Name of entity

5. Non-resident Indians (NRIs) and/ or Overseas Citizen of India (OCIs) and/ or Resident Indian (RI) declaration
(not applicable for entities seeking registration under regulation 5(a)(i))

Section A - I: NRI/ OCI/ RI – Control

1. ☐ There is no NRI/ OCI/ RI who exercises control over the FPI
   OR
   ☐ NRI/ OCI/ RI exercise control in us and we confirm that we will meet eligibility conditions mentioned within two years from the date of registration
   OR
2. ☐ The applicant is not controlled by an investment manager who in turn is controlled by NRI/ OCI/ RI
   OR
   ☐ NRIs/ OCIs/ RIs controlled Investment Manager (IM) is in control of the applicant and the said IM is:
   - ☐ Appropriately regulated and is registered with SEBI as a non-investing FPI.
     OR
   - ☐ Incorporated/ setup under Indian laws and appropriately registered with SEBI.

   OR
3. ☐ We are a non-investing FPI directly or indirectly fully owned and/ or controlled by a NRI/ OCI/ RI
   OR
4. ☐ We are an offshore fund for which no-objection certificate has been provided by SEBI in terms of SEBI (Mutual Funds) Regulations, 1996

SECTION B – II: NRI/ OCI/ RI – Entitlement in FPI

1. ☐ We confirm that there are no NRI/ OCI/ RI who are constituents/ investors in the FPI
   OR
2. ☐ We confirm that NRIs/ OCIs/ RIs* as investors in the FPI and contributions by single NRI/ OCI/ RI including those of NRI/ OCI/ RI controlled Investment Manager are below 25% of the corpus of the FPI and in aggregate is below 50% of the corpus of FPI
   * Explanation: Resident Indian's contribution, if any, that is made through Liberalised Remittance Scheme (LRS) approved by Reserve Bank of India in our funds and our Indian exposure is less than 50%
   OR

3. ☐ Investments by NRI/ OCI/ RI in the FPI are not meeting above condition(s) and we confirm that we will meet the condition(s) within two years from the date of registration
OR
4. ☐ None of the above restrictions/ conditions mentioned in Section A & B are applicable to us as we are/ shall be investing only in mutual funds in India through our FPI registration

6. Applicants undertaking investments on behalf of its clients

(Applicable only for entities seeking registration under regulation 5(b)(vii))

i. Clients are individuals and/ or family offices.

ii. Clients are eligible for registration as FPI and are not dealing on behalf of third party.

iii. Applicable KYC prescribed by SEBI has been performed on the clients.

iv. The complete investor details of its clients is as below and we shall provide the same on quarterly basis (end of calendar quarter) by end of the following month to DDP.

Details of client				
Sr. No.	Name	Country	Address	Type (Individual/ Family office)

7. Does FPI wish KRAs to seek consent prior to permitting any intermediary to download their KYC information

☐ Yes ☐ No

If Yes, please provide below information

Name of authorised representative of FPI (optional) :	
Email ID 1 (mandatory) :	
Email ID 2 (optional) :	
Email ID 3 (optional) :	
Mobile number (optional) :	

8. Information in respect of Authorised signatories to form/ senior management of FPI applicant

Sr. No.	Name	Relationship with Applicant (i.e., Promoters, Directors, Signatory etc.)	PAN (if applicable)	Nationality/ Country of Residence	Date of Birth (DD/MM/ YYYY)	Residential/ Registered Address	Any Government issued identity document number (eg. Driving License)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.							

Column 6, 7 and 8 is not applicable for Category-I FPI as well as Category-II FPIs with sub-category 5(b)(i) viz. 'Appropriately regulated fund not eligible as Category-I FPIs'.

9. Information Regarding Intermediate Material Shareholder/ Owner Entity

(For determining Beneficial Owner details as per circular issued by SEBI from time to time)

a) Details on the basis of ownership or entitlement:

☐ We declare that there is no entity holding (>=____%) of ownership/ entitlement through shares/ units, economic benefit participation etc., including cumulative direct/ indirect holding held through single or multiple entities.

OR

☐ Details of entities holding (>=____%) of ownership/ entitlement through shares/ units, economic benefit participation etc., including cumulative direct/ indirect holding held through single or multiple entities are provided as under:

Name of Beneficial Owner	Direct/ Indirect Stake	Names of the entity(ies) through which the stake in the FPI is held indirectly	Country of Incorporation/ Nationality	Percentage stake held in the Applicant	Individual/ Non-Individual

b) Beneficial Ownership by Control:

☐ We declare that there is no entity who controls through means like voting rights, agreements, arrangements, etc.

OR

☐ Details of controlling entity is provided as under:

Name of Beneficial Owner	Method of Control (Give details including names of the intermediate structures, if any, through which control is exercised)	Country of Incorporation/ Nationality	Percentage control on the Applicant, if applicable	Individual/ Non-Individual

Date:

Name of Applicant:

(Signature block for Applicant)

Signature(s) of Authorised Person(s)

C. UNDERTAKING FROM INVESTMENT MANAGER UNDER REGULATION 5(a)(iv)(II) or 5(a)(v)(A), AS APPLICABLE

We ( ) are the Investment manager of ( ) and are responsible for investment activity of the fund. We also undertake that we shall be responsible and liable for all acts of commission and omission of (name of the Applicant) and other deeds and things done by them under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019. We continue to meet eligibility requirements as applicable to Category-I FPI under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019.

Place:

Date:

(Signature block for Applicant)

Signature(s) of Authorised Person(s)

D. UNDERTAKING FROM ELIGIBLE CATEGORY I ENTITY UNDER REGULATION 5(a)(v)(B)

We ( ), undertake that we shall be responsible and liable for all acts of commission and omission of (name of the Applicant) and other deeds and things done by them under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019. We continue to meet eligibility requirements as applicable to Category-I FPI under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019.

Place:

Date:

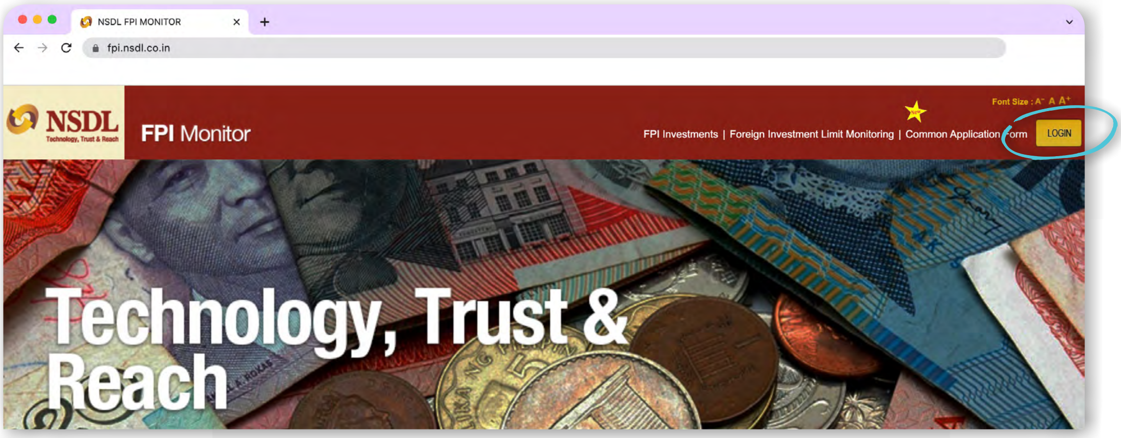
(Signature block for Applicant)

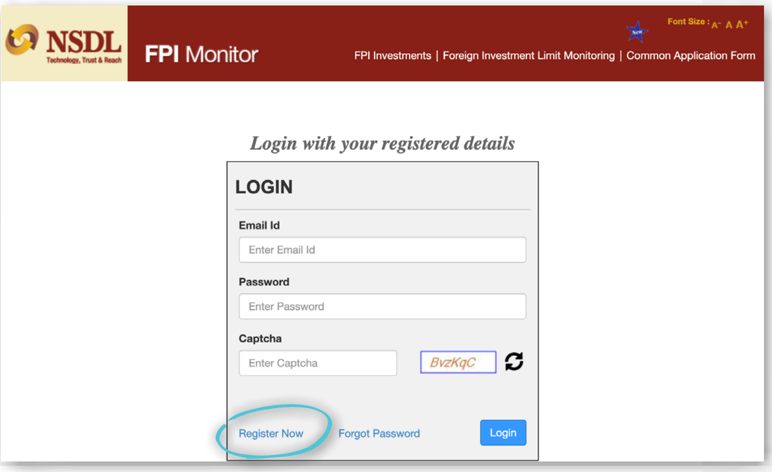
Signature(s) of Authorised Person(s)

Annexure 1.3 Manual for New User Registration for CAF on NSDL FPI Portal

In order to access common application form, applicant shall be required to Register as a User on NSDL FPI Registration Portal viz., FPI Monitor [www.fpi.nsdl.co.in].

For 'User Registration', applicant shall click on link viz., 'Register Now' available under 'Login' screen on aforesaid NSDL FPI registration portal.





A user can register itself for common application form in below manner:

User Type:

1. FPI
2. Global Custodian – In case application is being captured by Global Custodian

NSDL FPI portal facilitates user to capture and register multiple applications on behalf of FPI or GC. The detailed process flow for user registration is mentioned as under:

User Registration Details	— FPI or GC User will fill up the user registration details such as name, address, communication, access credentials etc. — User shall enter all mandatory fields along with captcha for authentication.
Review Details	— Post entering all mandatory fields, user will click on Save and next button. — On next page, user will be required to 'Review and Confirm' user registration details captured.
Email Verification	— Post reviewing registration details, verification code will be sent by NSDL to designated email ID provided by user for the purpose of email verification. — User shall enter verification code sent by NSDL, on email verification page. — In case of non-receipt of verification code, user can request for resending the code.
DDP Selection	— Upon successful email verification, user needs to select DDP (Designated Depository Participant) for authorising the user registration request in an online manner. — Post seleting name of DDP by user, the user registration request will be sent to respective DDP for verification and activation electronically.
DDP User Verification	— DDP shall authorise user registration request received online after review. — Upon successful activation, user (FPI/ GC) will be able to login into portal to apply for CAF as per user credential set at the time of user registration. — An email notification will be recieved by the user on the designated email ID upon activation of user.

2 Documentation and Guidance

Annexure 2.1. Documentation Requirements for FPI Registration

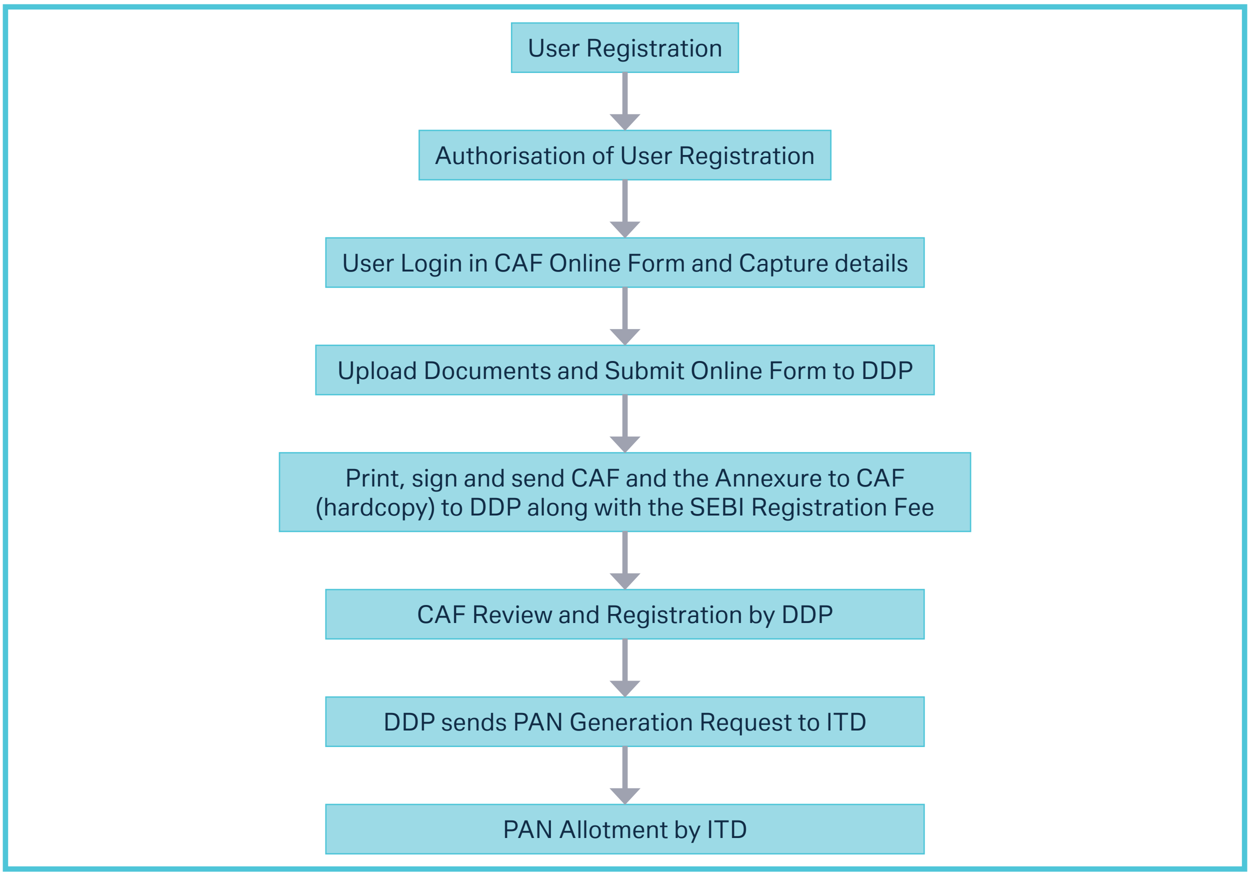
FPI Registration Application Documentation		
Application to DDP Application form for Grant of Registration which includes:	Common Application Form (CAF) CAF is a digital form hosted online on the NSDL website - www.nsdl.co.in or www.fpi.nsdl.co.in CDSL has also been permitted to accept and process CAF	Refer Annexure 1.1
	Annexure to CAF	Refer Annexure 1.2
	User Registration for CAF portal	Refer Annexure 1.3
Guidance Note	Accessing and submitting CAF	Refer Annexure 2.2
	CAF: Part A – KYC Information	Refer Annexure 2.3
	CAF: Part B – FPI Registration Information	Refer Annexure 2.4
	CAF: Part C – Additional Information for obtaining PAN	Refer Annexure 2.5
	CAF: Part D – Additional Information Applicable Only for Individuals	Refer Annexure 2.6
	CAF: Part E – Depository and Bank Account Opening	Refer Annexure 2.7
	CAF: Part F – Declaration and Undertaking	Refer Annexure 2.8
	Annexure to CAF	Refer Annexure 2.9
Additional Registration Documents	These documents will form part of the FPI Registration application	Refer Annexure 2.10
Renewal of FPI Registration		
Continuance of Registration	For Continuance of Registration, the FPI will need to submit the following, 15 days prior to expiry of registration: — Covering letter for renewal of FPI registration — Fees (as per the category in which it is registered) — The declaration, if there are changes in any information submitted to SEBI/ DDP earlier — In case of change in information, inform about the change, provide additional information and supporting documents as applicable	
Regulatory Approval	To be issued by DDP on behalf of SEBI	

KYC Documentation		
Other KYC Document Requirements	Supporting documents for completion of KYC and account opening	Refer Chapter 6

Annexure 2.2. Guidance Note for Accessing and Submitting CAF

Section Reference	Information Required in Form	Guidance Comments
1	Weblink	www.fpi.nsdl.co.in
2	User Registration/ Login	New users are required to register. Existing users may use existing log-in credentials to log-in.
2.1	Registration	Click 'Register Now'
2.2	Register User as	Where the FPI applicant is applying directly, the applicant would select to be registered as FPI applicant. Where a Global Custodian (GC) is applying on behalf of the FPI applicant, the user to be registered as Global Custodian.
2.3	Address and Communication Details	The FPI applicant/ GC seeking to register as User is required to provide address and communication details. Fields marked in red asterisk (*) are mandatory: — Address of User — City in which the User is located — State (where applicable) — Zip code (or equivalent postal code for address) — Country — Country Code – ISD calling code for the country — Area/ STD Code – Local Area calling code within the country code, wherever applicable — Mobile (Hand phone)/ Telephone number
2.4	Login Credentials	— Email ID – It would serve as the User ID — Password – Desired password for login — Captcha
2.5	Review Information	— After clicking 'Save' and 'Next', a pop-up would appear — Close the pop-up by clicking on (x) — Review the information and click 'Save' and 'Next'
2.6	Email ID Verification	— A verification code will be sent to the email ID (entered under user credential section) — Enter the verification ID and click verify code
2.7	DDP Selection	— Once the correct code is put in, the portal would prompt for selecting Designated Depository Participant — Select the DDP — A pop-up will ask for confirmation of User creation with selected DDP as the DDP
2.8	DDP Authorisation	— User would be created, subject to authorisation by the User selected DDP — Once approved by DDP, the User can log in to the portal to submit FPI Application

FPI Application Flow Chart



Annexure 2.3. Guidance Note for Common Application Form | Part A – KYC Information

This guidance note has been prepared with a view to facilitate foreign investors to complete the Common Application Form (CAF), which is applicable for all new FPI registrations.

Guidance Notes for fields in CAF:

Section Reference	Information Required in Form	Guidance Comments
1.	Name of the Applicant	The applicant needs to input the name as captured in the incorporation document (as registered in their home country). Details should match the POA. Individuals should fill the details as per slots provided. Non-individuals can fill the name beginning from first row (Last Name) and fill-up in continuous sequence in subsequent rows i.e., treating the three rows as a single contiguous row.
2.	Abbreviation of the Name (for printing on the PAN card)	The applicant needs to put in the name as preferred to appear on PAN card with maximum of 75 characters.

Section Reference	Information Required in Form	Guidance Comments
3.	Have you ever been known by any other name?	If applicant selects "Yes", then it is mandatory to provide details of the old name. This field does not accept special characters and numeric, hence client should mention the name accordingly.
4a.	Date of Birth/ Incorporation/ Establishment/ Formation	The applicant needs to provide the date on which the establishment was incorporated or set up. Date must be in DDMMYYYY format.
4b.	Date of Commencement of Business	The applicant needs to provide the date when the business commenced post incorporation. Date must be in DDMMYYYY format. Future date is not allowed. If the business has not commenced yet, then this field can be left blank as it is not considered to be mandatory field.
5.	Place and Country of Birth/ Incorporation/ Establishment/ Formation	The applicant needs to provide the place and select the country from the drop-down list, where the applicant is incorporated or set up. ISD code is auto populated on the basis of country selected. The Individual foreign applicant needs to specify his nationality and passport number. Institutional clients can enter 'N.A'.
6a.	Legal Entity Identifier	The applicant needs to provide Legal Entity Identifier (LEI) Code issued by Local Operating Units (LOUs) accredited by Global Legal Entity Identifier Foundation (GLEIF). LEI is mandatory in the Indian market, for transaction in Government Securities, the money market and forex market.
6b.	Tax Residency Certificate No.	The FPI applicant is to provide Tax Residency Certificate (TRC) number and select the country of Tax Residency from drop-down list.
7.	KYC Information (Address and Communication Details)	
7a.	Registered/ Residence Address of Applicant	The applicant needs to mention their registered address and office address (if different from the registered address). Town/ City/ District has 14 characters, Zip Code has maximum limitation of 11 characters and rest of the fields are with limitation of 25 characters. If Zip Code is not available, then the not applicable option can be selected from the checkbox.
7b.	Name of Office	Mandatory field, restricted to 75 characters.
	Office Address	If the office address is same as Registered Address, tick the checkbox 'Same as above', and the office address will be auto populated with the registered address. The character limitation for the remaining fields is similar to that of registered address.
7c.	Communication Address	Applicant also needs to indicate the address to be used for communication, by ticking the appropriate checkbox. Details should match the POA.

Section Reference	Information Required in Form	Guidance Comments

7d.	Telephone Number	— The applicant is to provide telephone number of the Registered Address/ Residence and the Office Address
		  — Country Code – ISD calling code for the country e.g., +91 for India
		  — Area/ STD Code – Local Area calling code within the country code, wherever applicable e.g., 22 for Mumbai
		  — Telephone Number
		— Mobile (Hand phone) – Mandatory for non-institutional clients
		— Fax Number

	Email ID	The applicant needs to provide email ID. This field has a limitation of 40 characters.
	Website	The applicant is to provide the URL of any website maintained for the applicant (if available).
8.	Information regarding Ultimate Beneficial Owner (End Natural Person)	
8a.	Identifying BO on basis of economic ownership or control	Beneficial Owners identified by the FPIs. This can be on basis of: — Materiality threshold defined under Rule 9 of PMLA Rules or in case of "High Risk Jurisdiction" lower materiality threshold of 10% — Control Where no Beneficial Owner is identified on materiality threshold/ control, applicant should provide details of Senior Managing Officials by ticking the relevant checkbox. Materiality threshold applied to be indicated by selecting from drop-down.
	Details on the basis of Ownership or Entitlement	Details of Beneficial Owners identified above. All information in this grid is mandatory. The details required at column no. 8 are exempted for Category-I applicants as well as Category-II applicants with sub-category (5)(b)(i) - appropriately regulated funds not eligible as Category-I FPI.
8b.	Family Holding	Applicant should indicate if multiple members of same family are holding beneficial ownership or control in the applicant.
9.	Income Details	
9a.	Source of Income	Source of Income of applicant to be selected from options available. Applicants can check multiple options (if applicable). Sources of Income could be: — Salary — Capital Gains — Income from Business/ Profession — No Income — Income from Other Sources — Income from House Property
	Code for Business/ Profession	To be filled where Income is stated to be from Business and Profession. Code for Business/ Profession of the applicant to be selected from drop-down menu. A table of code for respective Business/ Profession is provided below (at the end of this guidance note).

Section Reference	Information Required in Form	Guidance Comments
9b.	Gross Annual Income	The applicant is to provide the Gross Annual Income in INR terms.
	Latest available Net Worth in INR	The applicant is to provide the Net Worth of the applicant and the date as on which the Net Worth is stated for. The Net Worth cannot be older than one year from the date of application.
10.	Occupation Details	There are separate drop-down menus each, for individual applicants and non-individual applicants. Occupation of the applicant to be selected from the appropriate drop-down list. List of occupation details is provided at the end of this guidance note.
11.	Documents	
	Proof of Identity/ Proof of Address	Documents being produced as part of Proof of Identity and Proof of Address to be selected from respective drop-down lists. Lists have been provided below, at the end of this guidance note.
12.	Politically Exposed Person	
	Where the Applicant or the Applicant's authorised Signatories/ Promoters/ Partners/ Trustee/ Whole Time Directors/ Office Bearer are: — A Politically Exposed Person — Related to a Politically Exposed Person	The applicant is to indicate whether any authorised Signatories/ Promoters/ Partners/ Trustee/ Whole Time Directors/ Office Bearer of the applicant is either a Politically Exposed Person or related to a Politically Exposed Person.

List of codes for Business and Profession

Code	Business/ Profession	Code	Business/ Profession
01	Medical Profession and Business	11	Films, TV and such other entertainment
02	Engineering	12	Information Technology
03	Architecture	13	Builders and Developers
04	Chartered Accountant/ Accountancy	14	Members of Stock Exchange, Share Brokers and Sub-Brokers
05	Interior Decoration	15	Performing Arts and Yatra
06	Technical Consultancy	16	Operation of Ships, Hovercraft, Aircrafts or Helicopters
07	Company Secretary	17	Plying Taxis, Lorries, Trucks, Buses or other Commercial Vehicles
08	Legal Practitioner and Solicitors	18	Ownership of Horses or Jockeys
09	Government Contractors	19	Cinema Halls and Other Theatres
10	Insurance Agency	20	Others

List of Occupational Details

For Individuals	For Non-Individuals
Service - Private sector	Private Company (R)
Service - Public Sector	Public Company (U)
Service - Govt. service	Body Corporate (D)
Business	Financial Institution (S)
Professional	Non-Government Organisation (N)
Agriculturist	Charitable Organisation (C)
Retired	
Housewife	
Student	
Others	

List of Proof of Identity

For Individuals	For Non-Individuals
Passport (Passport Expiry date to be specified)	Certificate of Incorporation/ Formation
Voter ID Card	Registration Certificate
PAN Card with Photograph	Memorandum of Article of Association/ Partnership Deed/ Trust Deed/ Prospectus/ offering memorandum or equivalent document
Driving License (Expiry date to be specified)	
NREGA Job Card	
Others	

List of Proof of Address

For Individuals	For Non-Individuals
Passport	Certificate of Incorporation/ Formation
Driving License	Registration Certificate
Voter ID card	Power of Attorney by FPI to Custodians (notarised/ apostilled or consularised), mentioning address
NREGA Job Card	Utility bill of within past two months (landline/ electricity)
Others (any document notified by the Central/ State Government and its Departments, Statutory/ Regulatory Authorities, Tax Authorities)	Document with address, issued by Central/ State Government and its Departments, Statutory/ Regulatory Authorities, Tax Authorities
	Bank account statement dated within the last three months

Annexure 2.4. Part B – FPI Registration Information

Section Reference	Information Required in Form	Guidance Comment
13.	Category of the Applicant	
13a.	Type of Category (I/ II) and sub-category	Applicant to select most appropriate category and sub-category, from the given drop-down list. — Category: Category-I or Category-II — Sub-category: Sovereign Wealth Fund, Insurance, Corporate, etc. Category determination is important and shall affect subsequent documentation requirements and downstream operating rules. Applicants are requested to consider carefully before applying in selected category. Applicants should indicate the relevant type of entity in the box specifying category. For example, an applicant operating as a Sovereign Wealth Fund should mention 'Sovereign Wealth Fund' in the Category-I box.
13b.	Investing/ Non-Investing Entity	The applicant is to select whether the entity will be Investing or Non-Investing entity. Non-investing entity would be applicable only for applicants seeking FPI license under the sub-category 'Appropriately Regulated - Investment Manager', or 'Appropriately Regulated - Investment Advisor'.
14.	Whether the Applicant is seeking registration under Multi Investment Manager (MIM) structure?	If the applicant has a Multi Managed Structure, then select 'Yes' in this section. In case of a standalone applicant, select 'No'.
15.	Details of Investment Manager of FPIs which are registered under regulation 5(a) of SEBI (FPI) Regulations, 2019 (as amended from time to time), if applicable or FPI seeking registration under MIM structure	The FPI applicant is to provide details of Investment Manager, which is registered as Category-I, if the applicant is seeking registration in support of such Category-I Investment Manager. Same applies for applicant seeking registration under Multi Manager Structures, i.e., has selected 'Yes' for point 14.
16.	Self-certification/ FATCA/ CRS Declaration Form	
	Whether the Applicant has provided with valid self-certification/ FATCA/ CRS declaration form?	Applicant should indicate if a valid self-certification/ FATCA/ CRS declaration is submitted. This is a mandatory submission for foreign investors at the time of account opening.

Section Reference	Information Required in Form	Guidance Comment
17.	Compliance Officer	
	Information Pertaining to Compliance Officer	The applicant needs to specify the complete details of the person who will be responsible for regulatory compliance of the applicant, including phone and email ID. Compliance Officer is the primary contact for any formal communication from local regulatory authorities and/ or DDP.
18.	Details of Regulatory Authority of the Applicant	
	Name and Country	The applicant needs to mention the name of the regulatory authority, along with country and website of the regulator, under which they are governed. For this purpose, appropriate regulatory authority is either the securities market regulator or Central Bank (in case of a Bank as Applicant).
	Registration Number/ Code (If any)	The applicant needs to mention their registration number with the Regulator.
	Category/ Capacity in which the Applicant is Regulated	The applicant is required to mention the capacity/ category in which it is regulated by the local regulatory authority.
19.	Global Custodian (GC)	
	Whether the Applicant is coming through Global Custodian	Applicant should indicate if the applicant is coming through a GC.
	Details of GC	If the applicant is coming in through GC, following details of GC to be provided: — Name of GC — Regulator of GC — Registration Number of GC with its Regulator — Address of GC
20.	Domestic Custodian and Banker	
	Custodian	The applicant is to provide the details of domestic Custodian/ DDP appointed, with SEBI registration number of the Custodian.
	Authorised Dealer Category-I (AD Cat-I) Bank	FPI are permitted to open Foreign Currency and Special Non-Resident Rupee account with an AD Cat-I Bank, authorised by RBI. The applicant is to provide name of the bank and the branch, and its address.

Section Reference	Information Required in Form	Guidance Comment
21.	Disciplinary History	
	Whether there has been any instance of violation or non-adherence to the securities laws, code of ethics/ conduct, code of business rules, for which the applicant, or its parent/ holding company or affiliate may have been subjected to economic or criminal liability or suspended from carrying out its operations or the registration, has been revoked, temporarily or permanently. (Yes/ No)	If 'Yes', furnish details in annexure. The applicant is to tick 'Yes' or 'No' as applicable.
22.	Clubbing of Investment Limit	

	Clubbing of Investment limits is applicable due to common control or common ownership of more than 50%	FPIs shall provide details of all entities having direct or indirect common shareholding/ beneficial ownership/ common control/ beneficial interest of more than 50%, as a part of their group, and also registered or filed their application as FPI.
		— The common beneficiary owner(s) shall be identified on the basis of
		  — Shareholding
		  — Voting rights
		  — Any other forms of control, in excess of 50%, across FPIs, if any
		In the following table, if the applicant is a Public Retail fund, and has a common control, they can provide appropriate details and seek exemption from clubbing.

23.	Details of Prior Association with Indian Securities Market	
	Whether the applicant was anytime associated with Indian Securities Market as FPI, FII, Sub-account, QFI or FVCI (Yes/ No)	Select 'Yes' or 'No' as appropriate. If 'Yes', furnish details in the table provided. In case of 'Yes', please provide: — Name of the Entity as earlier registered with SEBI — Registered as either FPI, FII, Sub-account, QFI or FVCI — SEBI registration Number of the earlier registered entity

Annexure 2.5. Part C – Additional Information for obtaining PAN

Section Reference	Information Required in Form	Guidance Comment
24.	Current PAN Status	
	Whether the applicant already holds PAN	The applicant is to choose appropriate response from the drop-down list. If 'Yes', the number is to be provided in space provided. In such case the remaining Part C need not be filled. If 'No', the rest of Part C needs to be filled.
	Application for New PAN – To be completed in consultation with the clients' tax agent	
25.	Status of Applicant	The applicant is to select from the drop-down list, among following options: — Individual — Company — Partnership firm — Government — Trusts — Body of Individuals — Local Authority — Artificial Juridical Persons — Association of Persons — Limited Liability Partnership
26.	Assessing Officer (AO code)	Client is to mention the appropriate Assessing Officer code in consultation with their local tax agent.
27.	Registration Number	Applicable to Corporate entities such as Companies, which are required to register with a Government Authority (e.g., Registrar of Companies) of country of residence.
28.	Representative or Agent of the Applicant in India	— Section 160 of Indian Income Tax Act, 1961 permits assessee to be represented through Representative Assessee — Details of Representative Assessee to be provided, such as tax agent appointed by FPI applicant — Proof of Identity and Proof of Address are also required for Representative Assessee
29.	Listing Status	The applicant is to indicate whether the entity is listed on stock exchange or not. If listed, name of the stock exchange to be provided.
30.	Is the entity involved/ providing any of the following services? — Foreign Exchange, Money Changer Services — Gaming/ Gambling/ Lottery services (Casinos and Betting Syndicates) — Money Lending, Pawning	The applicant is to select the appropriate checkbox.

Section Reference	Information Required in Form	Guidance Comment
31.	Documents	Refer to the list provided below for the documents. The applicant is to indicate the document being submitted as Proof of Identity and Proof of Address for PAN purpose.

Proof of Identity and Address by Individual and HUF

Proof of Identity	Proof of Address
Copy of passport	Copy of passport
Copy of Person of Indian Origin (PIO) card	Copy of Person of Indian Origin (PIO) card
Copy of Overseas Citizen of India (OCI) card	Copy of Overseas Citizen of India (OCI) card
Copy of Citizenship Identification Number (CIN), Taxpayer ID Number (TIN) or other national ID number duly attested by "Apostille" (in respect of countries which are signatories to the Hague Convention of 1961) or by the Indian Embassy or High Commission or Consulate in the country where the applicant is located or authorised officials of overseas branches of Scheduled Banks registered in India	Copy of Citizenship Identification Number (CIN), Taxpayer ID Number (TIN) or other national ID number duly attested by "Apostille" (in respect of countries which are signatories to the Hague Convention of 1961) or by the Indian Embassy or High Commission or Consulate in the country where the applicant is located or authorised officials of overseas branches of Scheduled Banks registered in India
	Copy of bank account statement in the country of residence
	Copy of Non-Resident External (NRE) bank account statement in India
	Copy of Certificate of Residence in India or Residential permit issued by the State Police Authorities
	Copy of Registration certificate issued by the Foreigner's Registration Office showing Indian address
	Copy of Visa granted and copy of appointment letter or contract from Indian Company and Certificate (in original) of Indian address issued by the employer

Proof of Identity and Address by Non-individuals

Proof of Identity	Proof of Address
Copy of Certificate of Registration issued in the country where the applicant is located duly attested by "Apostille" (in respect of countries which are signatories to the Hague Convention of 1961) or by the Indian Embassy or High Commission or Consulate in the country where the applicant is located or authorised officials of overseas branches of Scheduled Banks registered in India	Copy of Certificate of Registration issued in the country where the applicant is located duly attested by "Apostille" (in respect of countries which are signatories to the Hague Convention of 1961) or by the Indian Embassy or High Commission or Consulate in the country where the applicant is located or authorised officials of overseas branches of Scheduled Banks registered in India
Copy of registration certificate issued in India or of approval granted to set up office in India by Indian Authorities	Copy of registration certificate issued in India or of approval granted to set up office in India by Indian Authorities

Annexure 2.6. Part D – Additional Information Applicable Only for Individuals

Section Reference	Information Required in Form	Guidance Comment
	Information on the Individual	
32.	Gender	The applicant is to choose appropriate gender from the drop-down list: — Male — Female — Transgender
33.	Marital Status	The applicant is to choose appropriate status from the drop-down list: — Single — Married — Divorced — Widow/ Widower
34.	Citizenship Status	The applicant is to choose appropriate status from the drop-down list: — Foreigner — PIO — OCI For FPI applicant, Foreigner would be applicable. Foreigners required to state country of citizenship.

	Family Information	
35.	Where the mother is a single parent, and you wish to apply for PAN by furnishing the name of your mother only	If the applicant's mother is single parent, the applicant may apply for PAN using mother's name. Applicant should choose appropriate response.
	Father's Name	Applicant should fill father's name unless the applicant has chosen to apply for PAN under mother's name, above.
	Mother's Name	Applicant should fill mother's name if the option to use mother's name is selected as 'Yes'. In other cases, this is optional.
	Select the name of either father or mother which you may like to be printed on PAN card	PAN includes name of parent. The applicant is to choose whether the name of parent should be mother's or father's, by ticking the appropriate checkbox. If not selected, father's name is printed by default except where option to use mother's name is selected as 'Yes'.
36.	Spouse Name	Applicant is to provide name of the spouse wherever applicable.

Annexure 2.7. Part E – Depository and Bank Account Opening

Section Reference	Information Required in Form	Guidance Comment
37.	Details for Depository Account	
37a.	Account Authorisation	The Investing FPI applicant is to tick the checkbox to authorise opening of demat account, and indicate the name of the Depository Participant to open an account. Non-Investing FPI may indicate that they do not wish to open demat account.
37b.	Mode of Operation	The applicant is to select 'Others' checkbox and mention POA.
	Bank Account Information	
38.	Account Authorisation	The Investing FPI applicant is to tick the check box authorising opening of Special Non-Resident Rupee Account. Non-Investing FPI may indicate that they do not wish to open bank account.

Annexure 2.8. Part F – Declaration and Undertaking

Section Reference	Declaration and Undertaking	Guidance Comments
	Declaration and Undertaking	Applicant is to mention the name of the Authorised Signatory, and legal entity for which the application is being created. The Authorised Signatory should sign the document along with Name, Designation and Date.

Note: Signature of the applicant at the bottom of each page of CAF in full (single/ jointly) is required.

Annexure 2.9. Guidance Note for Annexures to CAF

Section Reference	Information Required in Form	Guidance Comment
1.	Account for ODI with Derivatives as underlying	
	Separate registration for the purposes of hedging the ODIs with derivatives as underlying in India. (Applicable only for Category-I)	The FPI applicant is to indicate whether a separate account for hedging the ODIs with derivatives as underlying would be required. (Refer to Chapter 9 - ODI section for details.)
2.	Segregated Portfolio	
	If segregated portfolio is maintained for each sub-funds or share classes/ equivalent structures of the applicant, names of such sub-funds or share classes/ equivalent structures that intend to invest in India	The applicant is to provide names of each sub-funds or share classes or any other equivalent structure, that intend to invest in Indian market under the FPI registration, if such sub-fund/ share class or equivalent structure maintains segregated portfolio. BO declaration is required for each fund/ sub-fund/ share class/ equivalent structure.
3.	Category-I obtained by virtue of 75% ownership of specific Category-I FPIs (Regulation 5(a)(v)(B))	
	Details of eligible Category-I entity registered under 5(a)(v)(B) of SEBI (FPI) Regulations, 2019	Regulation 5(a)(v)(B) permits FPIs to be registered as Category-I, provided 75% ownership in such FPIs is held by certain FPIs which classify as Category-I under sub-clause (ii), (iii) and (iv) of clause (a) of Regulation 5. The applicant is to provide details of any such entity registered: — Name of entity — Country — Entity type as per Regulation 5(a)
4.	Bank or Subsidiary of Bank Declaration	
	Bank or Subsidiary of Bank Declaration	The FPI applicant is to indicate whether they are bank or bank subsidiary. Applicants who have branch/ representative office directly or through group companies, in India should indicate as such.

Section Reference	Information Required in Form	Guidance Comment
5.	Non-Resident Indians (NRIs) and/ or Overseas Citizen of India (OCIs) and/ or Resident Indian (RI) declaration	
Section A – I: Control	Control of FPI	Applicant should not be controlled by NRI/ OCI /RI. The applicant is to indicate whether or not it is controlled by NRI/ OCI /RI. If applicant is controlled by NRI/ OCI /RI, they should confirm that they would comply with the regulatory conditions within two years of grant of registration.
	Control of Investment Manager controlling the applicant FPI	Applicant should not be controlled by an Investment Manager which is controlled by NRI/ OCI/ RI, except where such Investment Manager is either appropriately regulated in home jurisdiction or setup under Indian laws and registered with SEBI. Applicant should indicate whether or not it is controlled by an Investment Manager which in turn is controlled by NRI/ OCI /RI. If it is controlled by such Investment Manager, it should indicate whether the Investment Manager qualifies under the permitted exceptions.
	Declaration by Non-investing FPI	A Non-Investing FPI may be controlled by NRI/ OCI/ RI. An applicant controlled by NRI/ OCI/ RI being Non-Investing FPI should indicate as such.
	Declaration by Offshore Funds of Indian Mutual Funds	Offshore funds granted 'No Objection Certificate' by SEBI under SEBI (Mutual Funds) Regulations, 1996, are exempted. Offshore Fund which has obtained 'No Objection Certificate' as per SEBI (Mutual Funds) Regulations, 1996, should indicate as such.
Section B – II: Entitlement in FPI	Declaration when no investment by NRI/ OCI/ RI	Applicant to select this box, if the applicant FPI has no NRI/ OCI/ RI investor.
	Declaration when investment is within permissible limits	Applicant to select this box, if the applicant FPI has NRI/ OCI/ RI, but the investment is — Below 25% of the corpus individually, and — Below 50% of the corpus in aggregate
	Declaration when the investment is in excess of prescribed limit	If the applicant FPI has NRI/ OCI/ RI and fails to satisfy either of the below conditions, it should confirm that it would satisfy the below conditions within two years of registration: — Below 25% of the corpus individually, and — Below 50% of the corpus in aggregate
	Declaration when the limits are not applicable	If the FPI applicant is investing only in units of schemes floated by Mutual Funds in India, it is exempt from conditions of Section A. (Control by NRI/ OCI/ RI) or Section B (Investment by NRI/ OCI/ RI). Such FPI applicant should indicate as such.

Section Reference	Information Required in Form	Guidance Comment
6.	Applicants Undertaking Investments on Behalf of its Clients	
	Applicants investing on behalf of clients	The applicant is required to provide details on clients on whose behalf the applicant intends to invest in the provided format and ensure that following conditions are adhered to: — Clients are individuals and/ or family offices — Clients are eligible for registration as FPI and are not dealing on behalf of third party — Applicable KYC prescribed by SEBI has been performed on the clients This information is to be submitted to the DDP on quarterly basis.
7.	KYC Consent	
	Does FPI wish KRAs to seek consent prior to permitting any intermediary to download their KYC information?	As a data protection measure, a consent mechanism has been introduced with regards to accessibility to KYC data of FPIs. Where activated, the prior consent of the authorised person from the FPI is required to access the KYC data by market intermediaries. The applicant is to indicate whether they seek to activate consent mechanism with regards to their KYC data. Where an applicant chooses to activate the mechanism, the applicant should provide email ID of the authorised person. Minimum one email ID is mandatory and up to three email IDs can be provided. Email seeking the consent would be sent to the authorised email ID. The field has a limitation of 40 characters. Note: To prevent impediment in obtaining consent and delay KYC procedure, applicants to ensure that emails from following email IDs are not treated as SPAM/ JUNK/ PHISHING email. — For NDML KRA: info.kra@nsdl.co.in — For CVL KRA: gogreencvl@cdslindia.com
8.	Authorised Signatories/ Senior Management	
	Information in respect of authorised signatories/ senior management of FPI applicant	The applicant is to provide details of authorised signatories/ senior management in the provided format. Column 3 (PAN): If the individual is not eligible for PAN, they can mention NA in the said column. Column 6-8: Information required only for Category-II applicants which are not appropriately regulated (Category-I and Category-II under Regulation 5(b)(i) are exempted).

Section Reference	Information Required in Form	Guidance Comment
9.	Information About Intermediate Material Shareholder	
9a.	Ownership or Entitlement	Any intermediate owner/ entitlement holder identified on basis of threshold to be provided. Where no such holder is identified, applicant should indicate accordingly.
9b.	Control	Any intermediate owner identified on basis of control to be provided. Where no such owner is identified, applicant should indicate accordingly.
	Signature of Authorised Signatory	
	Signature of Authorised Signatory(ies)	Client's Authorised Signatory should sign the document along with Name, Designation and Date (DD/MM/YYYY). Initials of the signatures to be affixed on all pages of the Annexure to CAF.

Annexure 2.10. Additional Registration Documents

Sr. No.	Document	Guidance Comment
1	Memorandum and Articles of Association or any other equivalent formation document	To be Notarised by a Notary Public, or certified by a Foreign Multi National Bank (Certification should bear the Name, Date and Designation and the Bank Stamp)
2	SEBI Registration Fees	Cat-I: USD 2,950 (registration + GST @18%) + USD 20 (PAN application) Cat-II: USD 295 (registration + GST @18%) + USD 20 (PAN application)
3	Undertaking from Investment Manager	To be obtained, if entity seeking license is — Unregulated fund from FATF member countries whose investment manager is regulated and registered as a Cat-I FPI — An entity whose investment manager is from FATF member country and such an investment manager is registered as a Cat-I FPI
4	Undertaking from eligible Category-I entity	To be obtained from entity seeking FPI Category-I license and is at least 75% owned by the following entities from FATF member countries: — Pensions and University fund — Regulated entities such as insurance or reinsurance entities, banks, asset management companies, investment managers, investment advisors, portfolio managers, broker dealers and swap dealers — Regulated funds, University related endowments (university must have existed for more than five years), Unregulated funds with regulated investment manager who is registered as a Cat-I FPI

3 Useful Reference Links

Reserve Bank of India (RBI)	https://www.rbi.org.in
National Stock Exchange (NSE)	https://www.nseindia.com
Securities and Exchange Board of India (SEBI)	https://www.sebi.gov.in
Bombay Stock Exchange (BSE)	https://www.bseindia.com
Indian Clearing Corporation Limited (ICCL)	https://www.icclindia.com
NSE Clearing Limited (NCL)	https://www.nscclindia.com
National Securities Depository Limited (NSDL)	https://nsdl.co.in/
Central Depository Services (India) Limited (CDSL)	https://www.cdslindia.com
Press Information Bureau	https://pib.gov.in
Ministry of Finance	https://finmin.nic.in
Department for Promotion of Industry and Internal Trade	https://dpiit.gov.in
CDSL Ventures Limited (CVL)	https://www.cvlkra.com
NSDL Database Management Limited (NDML)	https://kra.ndml.in
International Organization of Securities Commissions (IOSCO)	https://www.iosco.org
Bank for International Settlements	https://www.bis.org
Financial Action Task Force (FATF)	https://www.fatf-gafi.org
International Financial Services Centres Authority	https://www.ifsca.gov.in
Insurance Regulatory and Development Authority of India	https://www.irdai.gov.in
Income Tax Department	https://www.incometaxindia.gov.in
Clearing Corporation of India Limited	https://www.ccilindia.com

ANNEXURE

4 Key Contacts in India

Bombay Stock Exchange (BSE)	Name: Sameer Patil Designation: Chief Business Officer Email: sameer.patil@bseindia.com Phone: +91-22-2272 8587
Indian Clearing Corporation Limited (ICCL)	Name: Devika Shah Designation: Managing Director and Chief Executive Officer Email: devika.shah@bseindia.com Phone: +91-22-2272 8040
Central Depository Services Ltd (CDSL)	Name: Nehal Vora Designation: Managing Director and Chief Executive Officer Email: mdceo@cdslindia.com Phone: +91-22-2305 8640
CDSL Ventures Limited (CVL)	Name: Sunil Alvares Designation: Managing Director and Chief Executive Officer Email: sunila@cdslindia.com Phone: +91-22-2272 8627
Multi Commodity Exchange of India Ltd. (MCX)	Name: Rishi Nathany Designation: Chief Business Officer Email: Rishi.Nathany@mcxindia.com Phone: +91-22-6731 9301
	Name: Sanjay Golecha Designation: Vice President - Regulatory Compliances Email: Sanjay.Golecha@mcxindia.com Phone: +91-22-6731 8925
Metropolitan Clearing Corporation of India Ltd. (MCCIL)	Name: Dr. A. Sebastin Designation: Chief Operating Officer Website: www.mclear.in Phone: +91-22-6831 6600

National Securities Depository Limited (NSDL)	Name: Samar Banwat Designation: Executive Director Email: samarb@nsdl.co.in Phone: +91-22-2499 4590
	Name: Prashant Vagal Designation: Executive Vice President Email: prashantv@nsdl.co.in Phone: +91-22-2499 4481
National Stock Exchange (NSE)	Name: K. Hari Designation: Chief Business Officer Email: harik@nse.co.in Phone: +91-22-2659 8452
NSE Clearing Limited (NCL)	Name: Vikram Kothari Designation: Managing Director Email: vkothari@nsccl.co.in Phone: +91-22-2659 8424
National Commodity and Derivatives Exchange Limited (NCDEX)	Name: Kavita Jha Designation: Vice President, Retail & Institutional Business Email: Kavita.Jha@ncdex.com Phone: +91-22-6640 6849/ +91-99302 67919
NSDL Database Management Limited (NDML)	Name: Vijay Gupta Designation: Senior Vice President Email: vijayg@nsdl.co.in Phone: +91-22-4914 2504/ +91-98193 77088
International Financial Services Centre (IFSC)	Name: Sandip Shah Designation: Head – IFSC Department, GIFT City Email: sandip.shah@giftgujarat.in Phone: +91-79617 08497/ +91-75670 22882

Tax Agents/ Consultants

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Legal contacts

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Nishith Desai Associates	Name:	Nishith Desai
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Trilegal	Name:	Ameya Khandge
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ANNEXURE

5 Glossary of Abbreviations used in the Book

Abbreviation	Full word
AD	Authorised Dealer
ADR	American Depository Receipt
AGM	Annual General Meeting
AI	Approved Intermediary
AIF	Alternative Investment Fund
AML	Anti Money Laundering
ARC	Asset Reconstruction Company
ASBA	Application Supported by Blocked Amount
BDR	Bullion Depository Receipt
BIS	Bank for International Settlements
BSE	Bombay Stock Exchange
CBDT	Central Board of Direct Taxes
CBIC	Central Board of Indirect Taxes and Customs
CBRICS	Corporate Bond Reporting and Integrated Clearing System
CC	Clearing Corporation
CCD	Compulsory Convertible Debenture
CCEA	Cabinet Committee on Economic Affairs

Abbreviation	Full word
CCIL	Clearing Corporation of India Ltd.
CCP	Central Counterparty
CD	Certificate of Deposit
CDIL	Corporate Debt Investment Limit
CDSL	Central Depository Services (India) Limited
CFT	Combating the Financing of Terrorism
CIS	Collective Investment Scheme
CM	Clearing Member
CP	Commercial Paper
CPI	Consumer Price Index
CRS	Common Reporting Standards
CSGF	Core Settlement Guarantee Fund
CSGL	Constituents' Subsidiary General Ledger Account
CTT	Commodities Transaction Tax
DDP	Designated Depository Participant
DEA	Department of Economic Affairs
DII	Domestic Institutional Investor

Abbreviation	Full word
DoR	Department of Revenue
DP	Depository Participant
DPIIT	Department for Promotion of Industry and Internal Trade
DR	Depository Receipt
DSC	Digital Signature Certificate
DTAA	Double Taxation Avoidance Agreement
ECB	External Commercial Borrowing
ECM	Exchange Control Manual
EFI	Eligible Foreign Investor
EGM	Extraordinary General Meeting
ELM	Extreme Loss Margin
EBP	Electronic Book Provider
ETCD	Exchange Traded Currency Derivatives
ETF	Exchange Traded Fund
EOU	Export Oriented Unit
F&O	Futures & Options
FAQs	Frequently Asked Questions
FATCA	Foreign Account Tax Compliance Act
FATF	Financial Action Task Force
FCCB	Foreign Currency Convertible Bond
FCEB	Foreign Currency Exchangeable Bond
FD	Fixed Deposit
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999
FI	Financial Institution
FIFO	First In, First Out

Abbreviation	Full word
FIFP	Foreign Investment Facilitation Portal
FII	Foreign Institutional Investor
FMC	Forward Markets Commission
FMI	Financial Market Infrastructure
FMP	Fixed Maturity Plan
FPI	Foreign Portfolio Investor
FPO	Follow on Public Offer
FRB	Floating Rate Bond
FVCI	Foreign Venture Capital Investor
FX	Forex
FY	Financial Year
GAAR	General Anti-Avoidance Rule
GAH	Gilt Account Holder
GC	Global Custodian
GDP	Gross Domestic Product
GDR	Global Depository Receipt
GIFT City	Gujarat International Finance Tec-City
GoI	Government of India
G-Sec	Government Security
GST	Goods and Services Tax
Holdco	Holding Company
ICCL	Indian Clearing Corporation Limited
ICDM	Indian Corporate Debt Market
ICDR	Issue of Capital and Disclosure Requirements
IDFI	Indian Development Finance Institutions
IDR	Indian Depository Receipt
IFSC	International Financial Services Centre

Abbreviation	Full word
IGA	Inter-Governmental Agreement
INR	Indian Rupee
InvIT	Infrastructure Investment Trust
IOSCO	International Organization of Securities Commissions
IPO	Initial Public Offer
IPP	Institutional Placement Programme
IRDAI	Insurance Regulatory and Development Authority of India
IRF	Interest Rate Future
ISIN	International Securities Identification Number
ITD	Income Tax Department
ITP	Institutional Trading Platform
IVCU	Indian Venture Capital Undertaking
KMP	Key Managerial Personnel
KYC	Know Your Client
LEI	Legal Entity Identifier
LLP	Limited Liability Partnership
LOU	Local Operating Unit
MAT	Minimum Alternate Tax
MCA	Ministry of Corporate Affairs
MCCIL	Metropolitan Clearing Corporation of India Limited
MCX	Multi Commodity Exchange of India Limited
MEA	Ministry of External Affairs
MF	Mutual Fund
MHA	Ministry of Home Affairs
MIM	Multiple Investment Managers

Abbreviation	Full word
MMoU	Multilateral Memorandum of Understanding
MoF	Ministry of Finance
MRC	Minimum Required Capital
MSEI	Metropolitan Stock Exchange of India
MTM	Mark to Market
MWPL	Market Wide Position Limit
NAV	Net Asset Value
NBFC	Non-Banking Financial Company
NCD	Non-Convertible Debenture
NCDEX	National Commodity & Derivatives Exchange Limited
NDS-OM	Negotiated Dealing System-Order Matching
NEFT	National Electronic Funds Transfer
NOC	No Objection Certificate
NRI	Non-Resident Indian
NCL	NSE Clearing Limited
NSDL	National Securities Depository Limited
NSE	National Stock Exchange
NTRP	Negotiated Trade Reporting Platform
OCI	Overseas Citizen of India
OCB	Overseas Corporate Bodies
ODI	Offshore Derivative Instrument
OFS	Offer for Sale
OTC	Over-the-Counter
PAN	Permanent Account Number
PD	Primary Dealer
PDO	Public Debt Office
PE	Permanent Establishment

Abbreviation	Full word
PIO	Persons of Indian Origin
PIS	Portfolio Investment Scheme
PM	Primary Member
PMLA	Prevention of Money Laundering Act, 2002
POA	Power of Attorney
PPP	Public Private Partnership
PSU	Public Sector Undertaking
PTC	Pass Through Certificate
QFI	Qualified Foreign Investor
QIB	Qualified Institutional Buyer
QIP	Qualified Institutions Placement
RBI	Reserve Bank of India
RDM	Retail Debt Market
REIT	Real Estate Investment Trust
RI	Resident Indian
RII	Resident Indian Individual
RINI	Resident Indian Non-Individual
RFQ	Request for Quote
RTGS	Real Time Gross Settlement
SAST	Substantial Acquisition of Shares and Takeovers
SAT	Securities Appellate Tribunal
SCRA	Securities Contracts (Regulation) Act, 1956
SDL	State Development Loan
SDR	Strategic Debt Restructuring
SEBI	Securities and Exchange Board of India
SEZ	Special Economic Zone
SGF	Settlement Guarantee Fund
SGL	Subsidiary General Ledger Account

Abbreviation	Full word
SLB	Securities Lending & Borrowing
SLBS	Security Lending and Borrowing Scheme
SLR	Statutory Liquidity Ratio
SME	Small and Medium Enterprise
SNAS	Segregated Nominee Account Structure
SNRR	Special Non Resident Rupee Account
SPAN	Standardised Portfolio Analysis of Risk
SPD	Standard Primary Dealer
SPV	Special Purpose Vehicle
STT	Securities Transaction Tax
TAN	Tax Deduction and Collection Account Number
T-Bill	Treasury Bill
TC	Tax Consultant
TDR	Transfer of Development Rights
UCC	Unique Client Code
UPSI	Unpublished Price Sensitivity Information
VaR	Value-at-Risk
VC	Venture Capital
VCF	Venture Capital Fund
VCU	Venture Capital Undertaking
VRR	Voluntary Retention Route
WHT	Withholding Tax
ZCB	Zero Coupon Bond

Securities Services, India
Corporate Bank
Deutsche Bank AG, India

Contact

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