Deutsche Bank
Securities Services

Namaste India

The comprehensive guide for professionals investing in India

#PositiveImpact

Edition 2021

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PREFACE

The spillover effect of COVID-19 from 2020 has continued in 2021. Despite the uncertainties of COVID, the supportive policy environment created by Government and the Regulators has instilled a sense of optimism in both domestic and foreign investors. SEBI has responded to the pandemic related difficulties faced by participants with a slew of relaxations.

SEBI has been focused on bringing in more market reforms to create efficiency, and transparency and ease regulatory uncertainties, with the key objectives of ensuring market integrity and protection of investor interest. In this effort SEBI has introduced transparent processes for collateral utilization and management, handling of technical glitches in Market Infrastructure Institutions, moving away from the concept of promoter to 'person in control' or 'controlling shareholders' in a smooth, progressive and holistic manner. T+1 is the latest market reform to bring in more market efficiency which will come into effect in 2022.

I commend Deutsche Bank's effort in preparing this handbook 8th year in running, for investors worldwide on India securities market. Best wishes to Namaste India 2021. I hope it continues to match the market expectations for providing clarity and useful insights to all, which it has created over the years.

G MAHALINGAM

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI)

September 27, 2021

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This is an interactive edition of Namaste India 2021. Click on any topic on the contents page to jump directly to the chapter. Click on the chapter title on any page to return to the corresponding contents page.

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10. Clearing and Settlement

Foreword

Sharp Economic rebound, fueled by the high liquidity, is helping the market reach historic highs. The regulators continue to rationalize the regulations, with our Finance Minister announcing the proposal to introduce a uniform market code that will consolidate multiple acts into a single securities market code. Key market reforms like DLT based security covenants to be adopted by Depository, T+1 Settlement cycle, Spot Gold Exchange, segregation of collateral at individual client level, are some of the notable changes to improve the efficiency and transparency of the market. The government has set an ambitious plan to monetize the assets, with some key IPOs being proposed during the early part of 2022.

We continue to witness some key regulatory amendments and tax incentives in GIFT-IFSC, paving the way for various entities setting up their operations, in this city, including building access to the foreign markets for domestic players.

We at Deutsche bank are looking forward to being a part of your investment journey. It gives us great pleasure to release the 8th edition of Namaste India publication as a comprehensive guide for foreign investors.

We would like to thank our clients, partners, colleagues, and market intermediaries who have contributed with their views during the preparation of this edition, despite the pandemic restrictions.

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1 Introduction

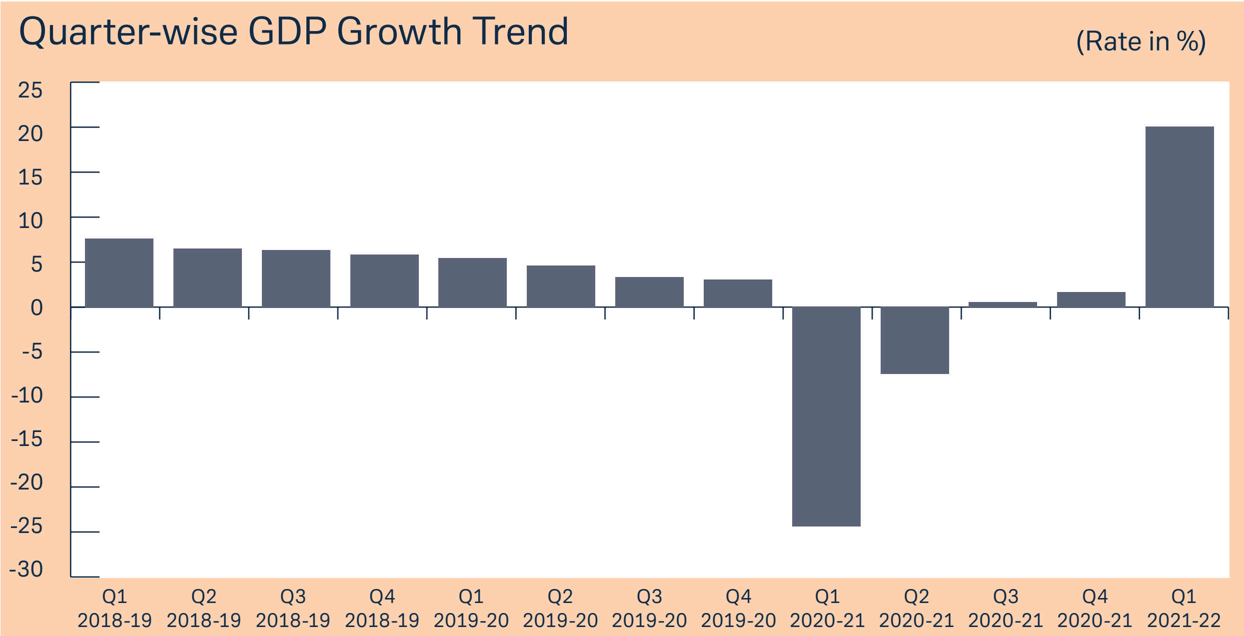
Indian equity market has given one of the best returns amongst other major global markets for the FY 2020-21. Some of the trends observed in the market are high retail participation, increasing ESG investments, robust IPO debuts, high market turnover, etc. Hybrid investment asset classes like REITs and InvITs have also become popular among investors.

Relaxations of lockdown restrictions imposed during the second wave of Covid-19 and brisk pace of vaccinations have helped the economy recover much faster than actually forecasted during the peak of the second wave. A healthy monsoon season has contributed to the good performance of the agricultural sector. India's GDP grew at 20.1% for the quarter April-June aided by the low base effect.

The emergence of the subsequent waves of Covid-19 and the macroeconomic indicators will possibly determine the future performance of the markets in the short term. The government continues to aid the economy with stimulus and regulatory relaxations.

Overall, Indian markets have a great potential to perform given the positive fundamentals, favourable demographics, and a proactive regulatory environment. Regulatory policy is expected to maintain focus on attracting more inward investments and improve ease of doing business for institutional investors.

India's GDP Growth



Source: MOSPI

1.1. Background - FPI

Foreign Portfolio Investors (FPI) Regulations, 2014, were notified by Securities and Exchange Board of India (SEBI) in January 2014, which became operational from June 01, 2014. The FPI market access model for foreign investors, which evolved from the earlier FII/ sub-account/ QFI model to the harmonised FPI regime, is now stabilised, with over 10,000 registered FPIs.

Introduction of the FPI model also included the Designated Depository Participant (DDP) role entrusted by SEBI to Custodians in India in order to introduce efficiency in the market entry process, accompanied by implementation of a risk-based Know Your Client (KYC).

The objective of this guide is to provide comprehensive reference information on the FPI model for investors, investment professionals, intermediaries and market participants. Overview of all investment routes including Foreign Direct Investment (FDI) and Foreign Venture Capital Investor (FVCI) has been included, along with a summary look at the securities market structure in India, asset classes and investment rules associated thereto.

1.2. What's New from 2021

This edition covers all the regulatory and procedural changes notified till August 01, 2021 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 Chapter 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 Ahmedabad

— Annexures include useful reference links, key contacts list, besides 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 downloadable. E-Books are available for current as well as all the past editions, including Japanese version (2016-2020 edition) and Korean version (2019-20 edition).

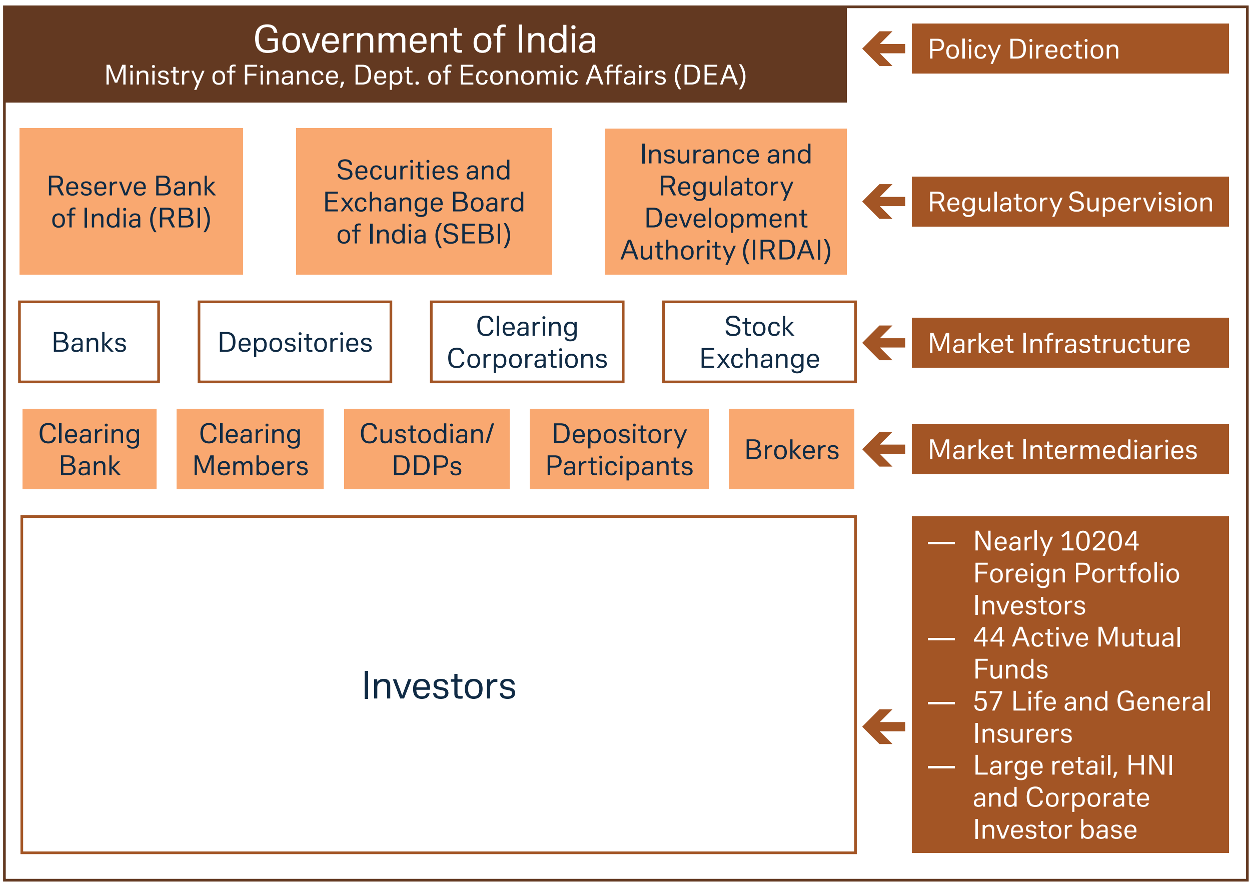
The E-Books can be accessed at https://corporates.db.com/publications/magazines/namaste-india

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 markets regulators are autonomous bodies, established by statutes which provide for their composition, powers and procedures and which operate under 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, 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 among others
    — Corporates in terms of raising of capital, issuance and transfer of securities, and corporate benefits
— Conducting enquiries, audits and inspection of all concerned
— Adjudicating offences and penalising violations of SEBI Act

Reserve Bank of India (RBI)
RBI is the Central Bank of 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 including the investments by foreign investors into Indian securities — 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 securities market, and to protect interests of investors. Key statutory framework applicable for foreign investors include: — SEBI (Foreign Venture Capital Investors) Regulations, 2000 (FVCI Regulations) — SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011 (SAST Regulation) — 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) — SEBI (Foreign Portfolio Investors) Regulations, 2019 (FPI Regulations)   — Operational Guidelines for Foreign Portfolio Investors, Designated Depository Participants and Eligible Foreign Investors
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 (Non-Debt Rules) — Foreign Exchange Management (Debt Instruments) Regulations, 2019 (Debt Regulations) — Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019 (Payment and Reporting of Non-Debt Regulations)
Reserve Bank of India Act, 1934 – RBI Act
— Establishes Reserve Bank of India and provides its powers and functions — Provides benefits for ‘Scheduled Banks’ — Provides a list of Scheduled Banks

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 the 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, individual 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 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 byelaws, 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 and CCPs	— National Stock Exchange (NSE) and NSE Clearing Limited (NCL) — Bombay Stock Exchange (BSE) and Indian Clearing Corporation Limited (ICCL) — Metropolitan Stock Exchange of India (MSEI) and Metropolitan Clearing Corporation of India Limited (MCCIL)
G-Sec 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) — Reserve Bank of India – 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 1971 billion (July 2020) → USD 3166 billion (July 2021) - 60.60% ↑ — NSE: USD 1957 billion (July 2020) → USD 3140 billion (July 2021)- 60.47% ↑ Total Forex reserves: USD 634 (August 2021)
Stock Indices	Among the various indices, the broad market indices below are key indicators of Indian market: — Sensex: 37,606.89 (July 2020)→ 52,586.84 (July 2021)- 39.83% ↑ — Nifty:11073.45 (July 2020) → 15763.05 (July 2021)- 42.35% ↑

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 segment: 9.00 am to 5.00 pm — Debt segment for corporate bonds: 9.00 am to 3.30 pm 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 — Government Securities (G-Sec) market (NDS-OM): 9.00 am to 5.00 pm
Settlement Cycle	— Equities: T+2 — Securities Lending and Borrowing: T+1 — Derivatives: T+1 (mark to market margin) — Government Securities: T+1/ T+2 (All confirmations to be completed on T) — Corporate Bonds: T+2 (exchange traded) and T+0 to T+2 (OTC)
Short Selling	Permitted – only against Borrow positions in the Securities Lending and Borrowing segment
Lock-in Period	None for equities. Specific debt instruments may include lock-in
Trade Pre-matching	Available
Fail Trades	— Equities - Forced buy-in will be conducted by the exchange. Penalties will be levied — Corporate Bond – 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. The NSDL is the national numbering agency in India to issue the ISIN for the 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. The listed equity securities traded on the stock exchanges are settled on a T+2 rolling settlement cycle 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-secs
	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 1 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, financial institutions are permitted to make fresh issuance and hold CPs in dematerialised form only
- FPIs are permitted to invest in Commercial papers only under Voluntary Retention Route (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 created by a Domestic Depository (custodian of securities registered with SEBI against the underlying foreign equity of issuing company to enable them to raise funds from the Indian securities markets).

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 Market. 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 requirement 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 of an exchange. Each commodity is selected primarily based on its liquidity and physical market size in India.

FPIs are currently not allowed to participate in Commodity Derivatives, either directly or indirectly.

2.9. Foreign Exchange (FX)

Foreign Exchange market in India is governed and regulated by RBI. Indian Rupee (INR) is onshore 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 2 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)
OTC 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 — Effective September 1, 2020, 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 Derivative	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.

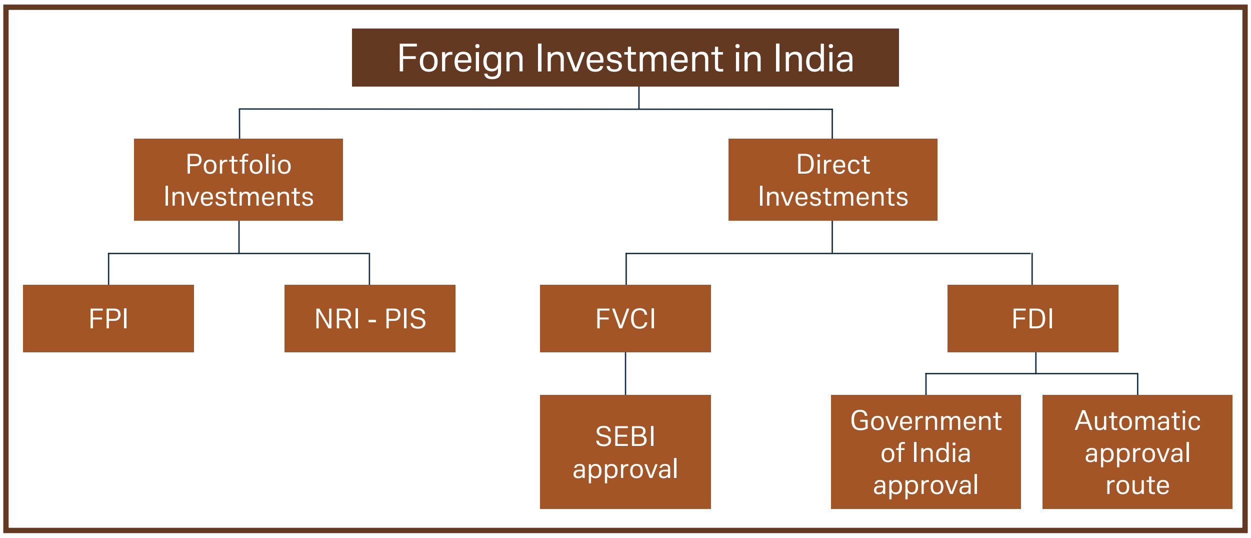
3 Investment Routes into India

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 Indian Stock Exchange, fixed income 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 or 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 investments under FDI

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

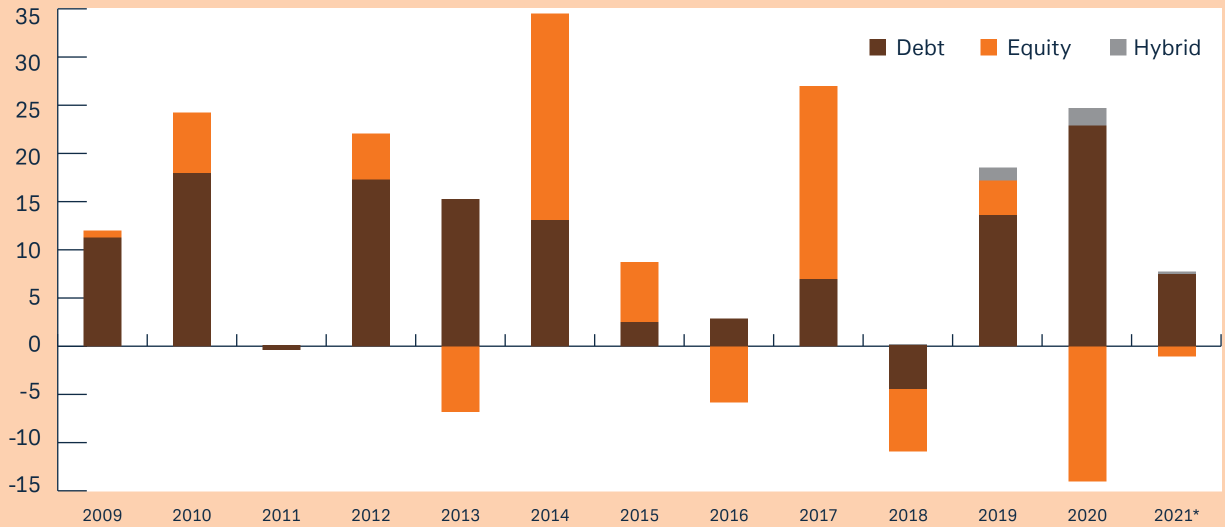


3.1.1. Foreign Portfolio Investor (FPI)

- A harmonised route, which came into effect from June 01, 2014, merging the 2 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 and Non-debt Instruments Rules 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 submit registration and KYC documents along with fees for seeking registration
- Registration is perpetual, subject to payment of fees for every block of 3 years and completion of KYC periodic 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

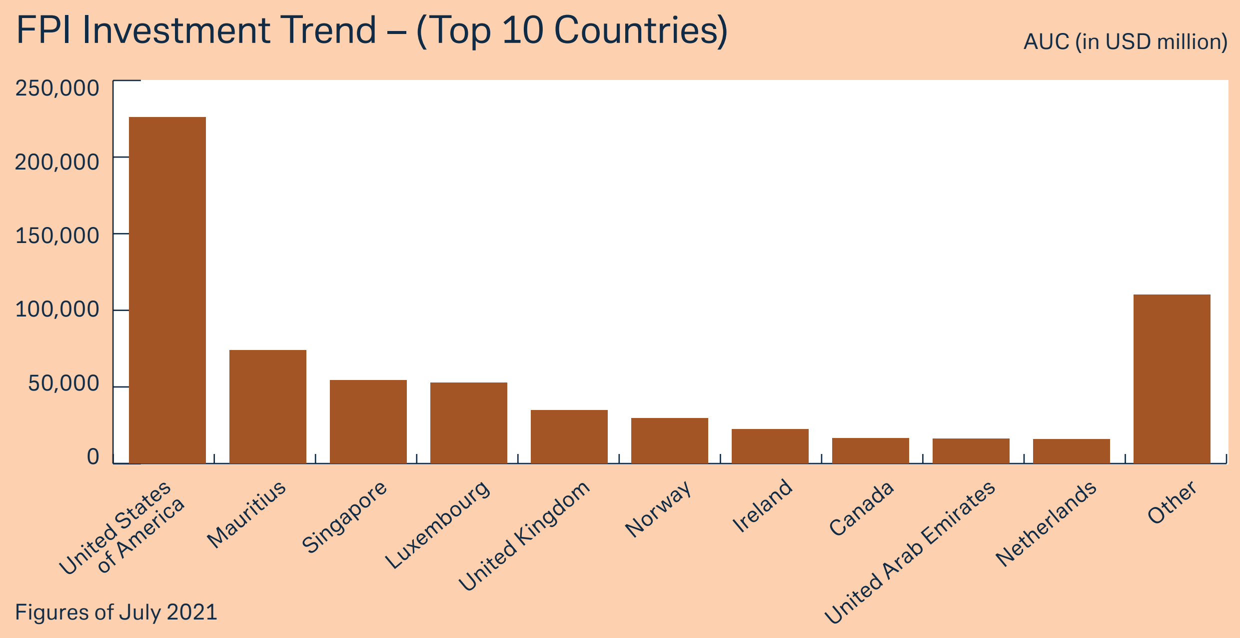
FPI Investment Statistics:

Net Investments through FPI route (in USD billion)



*Figures till June 2021

Source: NSDL statistics



Source: NSDL website

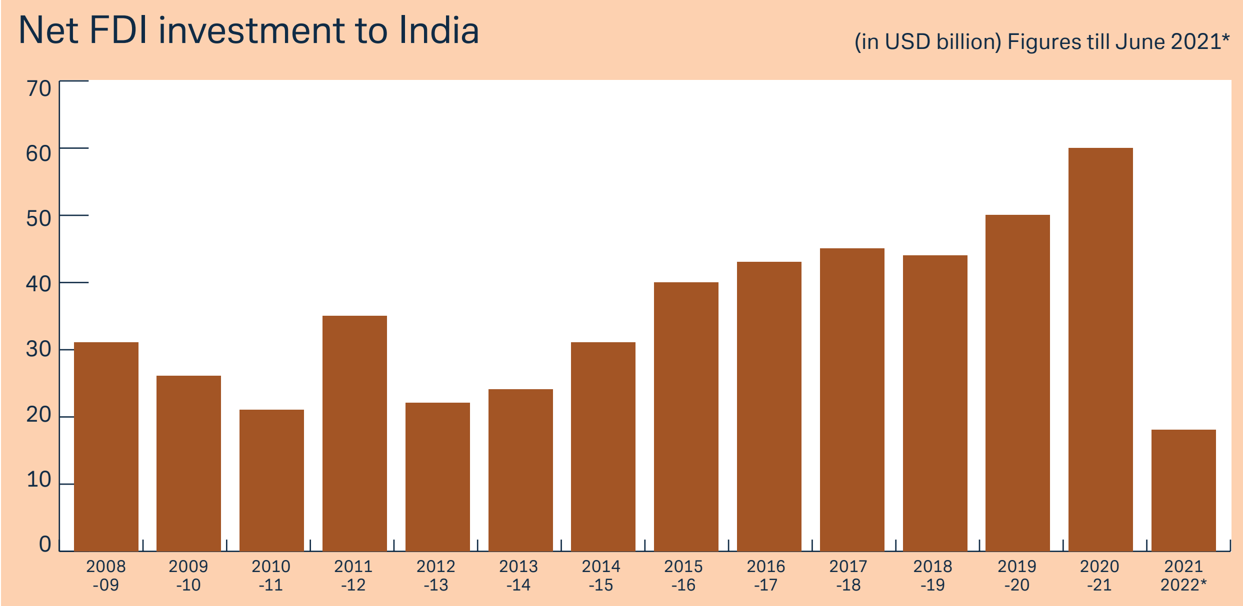
3.1.2. Foreign Direct Investment (FDI):

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

Automatic Route: Foreign 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.

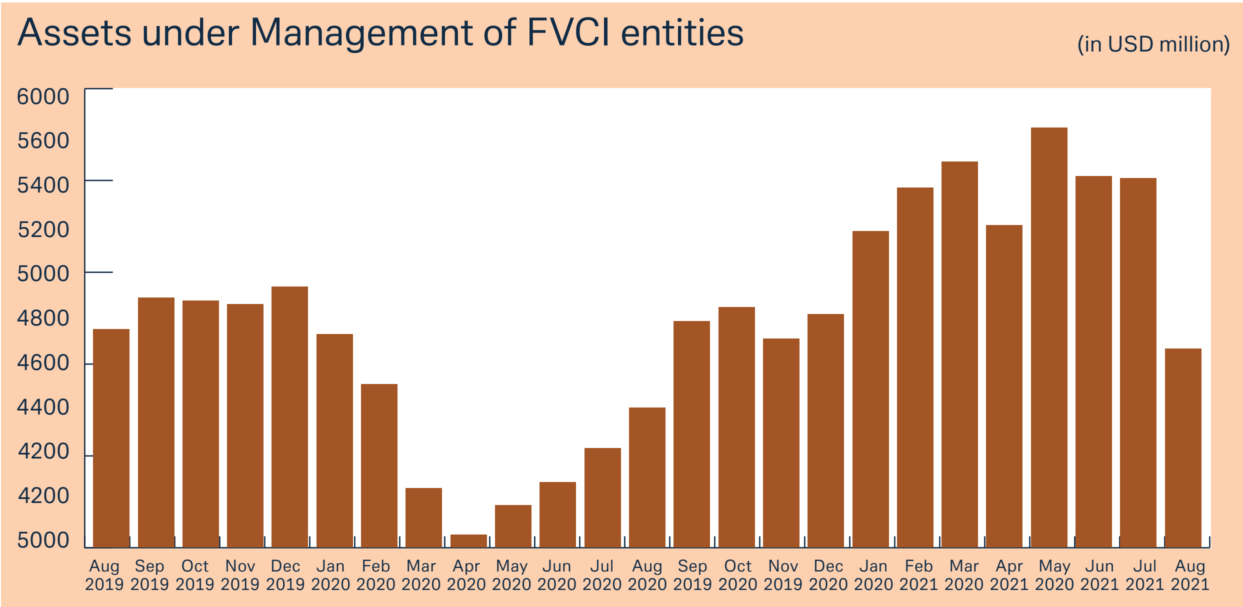
The chart below displays the FDI investment trend in India since 2000.



Source: Department for Promotion of Industry and Internal Trade (DPIIT)

3.1.3. Foreign Venture Capital Investment (FVCI):

— Foreign investment in specified ventures/ sectors identified by Government
— 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



Source: NSDL website

3.1.4. Non-Resident Indians (NRIs)

— 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 US
— 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 FPI Regulations.

ODIs are covered in more detail in Chapter 9.

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

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 issued in Financial Action Task Force (FATF) compliant financial centres. The bonds can be either placed privately or listed on exchanges as per host country regulations.

Following guidelines as issued by RBI should be adhered to:

- The bonds can only be issued in a country and subscribed by a resident of a country:
  - That is a member of FATF or a member of a FATF-Style Regional Body, and
  - Whose securities market regulator is a signatory to the International Organisation of Securities Commission's (IOSCO's) Multilateral Memorandum of Understanding (Appendix A Signatories) or a signatory to bilateral Memorandum of Understanding with the SEBI for information-sharing arrangements, and
  - Should not be a country identified in the public statement of the FATF as a jurisdiction deficient in or has not made sufficient progress in addressing the deficiencies related to Anti-Money Laundering policies
- Multilateral and Regional Financial Institutions where India is a member country are permitted to invest in these bonds
- The all-in-cost ceiling for such bonds will be 450 basis points over the prevailing yield of the Government of India securities of corresponding maturity
- Minimum average maturity is 3 years, though RBI may prescribe different minimum average maturity for specified sectors
- End-use Restriction – The proceeds of the borrowing can be used for all purposes except for the following:
  - Real estate activities
  - Investing in capital market and using the proceeds for equity investment domestically
  - Working capital purposes except from foreign equity holder
  - General corporate purposes except from foreign equity holder
  - Repayment of Rupee loans except from foreign equity holder
  - On-lending to other entities for any of the above purposes

3.2.4. Foreign Currency Convertible Bonds (FCCBs)

FCCBs are governed under the External Commercial Borrowing (ECB) guidelines. Key Requirements include:

- Minimum maturity of 5 years
- Call and put option, if any, shall not be exercisable prior to 5 years
- Issuance of FCCBs should be without any warrants attached
- The issue related expenses shall not exceed 4% of issue size and in case of private placement, shall not exceed 2% of the issue size

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 cap will include all types of direct and indirect foreign investment, regardless of whether the investment has been made under FDI, FPI, FVCI, Limited Liability Partnerships (LLPs), Depository Receipts (DRs), and investments by Non-Resident Indians (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, compulsory and mandatorily convertible)	Yes*	Yes	Yes
	Warrants	Yes*	Yes	Yes
	Corporate Bonds – Convertible (compulsory and mandatory)	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 Paper	Only under VRR	No	No
	Repo Transaction	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 Instrument	Yes*	No	No
Mutual Funds	Units of Mutual Funds	Yes **	No	No
	Exchange-Traded Funds (ETFs) (excluding gold ETFs)	Yes	No	No

Market Segment	Instrument Type	FPI	FDI	FVCI
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 Swap	Yes *	No	No
Securities Lending and Borrowing (SLB) Segment	Listed Equity	Yes	No	No
Others	Units of Collective Investment Schemes	Yes	No	No
	Security Receipts issued by ARC	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	Yes	Yes	No
	Units of Infrastructure Investment Trusts	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/sites/default/files/FDI-PolicyCircular-2020-29October2020_0.pdf
- 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 route based on the sector.

4.2.1. Automatic Route

Investment by a person resident outside India does not require the prior approval from Government of India (GoI) or Reserve Bank of India (RBI). Sectors allowed under automatic route, subject to conditions can be accessed at
https://dpiit.gov.in/sites/default/files/Automatic_RrouteSectors_07July2020.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.

Exception: Multilateral banks or funds, where India is a member. Such entities would not be considered as an entity from any specific country, and no particular country will be treated as a beneficial owner of such investments in India.

Sectors requiring government approval can be accessed at
https://dpiit.gov.in/sites/default/files/Govt_RouteSectors_07July2020.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

FDI proposal filed on the FIFP

DIPP 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 one week, if needed

2 weeks

The Competent Authority will scrutinise the proposal within 1 week and requisition relevant additional information/ documents if required

4- 6 weeks

DPIIT is required to provide clarification on specific issues of FDI policy

The concerned Ministries/ Departments consulted on the proposal are required to upload their comments on the FIFP within 4 weeks from receipt of the proposal

8 weeks

In case the proposal requires security clearance, the Ministry of Home Affairs (MHA) will have to give their comments by 6 weeks. This takes the total time period to 8 weeks

10- 12 weeks

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 imposes 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 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 NRIs/ EOUs requiring Government approval

The procedure and timelines for processing of applications are:

- The application is circulated online within 2 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 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. (I) Atomic Energy and (II) Railway operations

* Foreign technology collaboration in any form including licensing for franchise, trademark, brand name, management contract is also prohibited for Lottery Business and 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. All flow of funds are through the 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 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
   - 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 the FEMA Act 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 Banks	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
  — 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:
  — No objection or 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, bio-technology, 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 (Venture Capital Funds) Regulations, 1996 (VCF 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)

Note: VCFs and Alternative Investment Funds (AIFs) being primary recipients of Investments from FVCI, these regulations have been highlighted here.

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 activities or sectors under "Negative List"

Negative List	FVCIs cannot invest in companies engaged in activities which have been classified under the negative list of the SEBI FVCI Regulations 2000. The negative list includes: — 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 — 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

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, 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	— Professional Competence, Financial soundness, Experience, General reputation of fairness and integrity
	— Applicant is regulated by an appropriate foreign regulatory authority or is an income tax payer, 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 tax payer
	— Requirement of 'Fit and Proper'. To determine this, SEBI may take account of any consideration as it deems fit, which includes following in relation to applicant, the principal officer, the director, the promoter and the key management persons
	    — Integrity, reputation and character
	    — Absence of convictions and restraint orders
	    — Competence including financial solvency and net worth
	    — Absence of categorisation as a wilful defaulter

Registration Documentation	Application to SEBI in Form A as prescribed under FVCI Regulations along with the application fee and documentation listed below.
	— 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
	    — Income tax return filed in the home country, or
	    — Banker's certificate of fair track record of the applicant
	— Contact Person details along with name, address, contact no. and email ID
	— Details of all the directors along with name, address, contact no. and email ID
	— Copy of Constitution Document of the applicant (such as MoA and AoA). Main objects permit the applicant to carry on the activity of VC
	— Structure Diagram of the Applicant
	— Whether the applicant or any directors has not been refused a certificate by SEBI
	— Whether the applicant is registered with SEBI or any other regulatory authority in any capacity in India or has filed for registration with SEBI in any other capacity
	— Write up on Directors/ Key personnel of the FVCI. The write up should include the educational qualifications, the past experiences etc.
	— 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
	— Copy of latest financial statements of the applicant or the promoters
	— Certified copy of business license (if any), issued by the regulatory agency abroad, with which the applicant is registered
	— 'Fit and Proper Person' from the applicant clearly specifying the amount (in INR) to be invested within a specific period. Amount mentioned has to be a confirmed amount and cannot be 'approximate or tentative'
	— Firm commitment letters from investors of the applicant for contributions aggregating to at least USD 1 million
	— Copies of financial statements as well as those 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

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 — 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	2,500	At the time of application
Registration Fee	10,000	Once in-principle approval is granted

5.3.3. FPI Registration for FVCIs

Registered FVCIs can be granted registration as FPI by DDPs, subject to below:

— Applicant complies with the eligibility criteria as prescribed for FPI registration
— The funds raised, allocated and invested must be clearly segregated as FPI and FVCI
— Applicant will appoint same custodian for its activities as FPI and FVCI
— Separate accounts must be maintained with the custodian for execution of trades as well as for securities held under FVCI and FPI registrations
— Reporting of transactions must be done separately according to the conditions applicable under the specific registration
— All the conditions applicable to the entity under the respective registrations must be complied with at the level of the segregated funds and activities with respect to the specific registrations
— The investment restrictions as applicable to FPIs will be applicable to FVCI applicants also. This includes investment limit of 10% of the total paid up capital of the company on a fully diluted basis, which would be applicable across FPI and FVCI investments clubbed together

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 1 VCF or AIF — Cannot invest in companies engaged in activities under 'Negative List' — FVCI are required to disclose the life cycle of the fund to SEBI

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 1 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/ SNRR — 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 foreign currency account or a Special Non-resident Rupee Account 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 bio-fuels — 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 5 years — Annual turnover up to INR 250 million in any preceding financial year — Working towards innovation, development, deployment or commercialisation of new products, processes or services driven by technology or intellectual property — 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 details in permitted sector	SEBI	Quarterly	FVCI	Within 3 working days from the end of the previous quarter

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

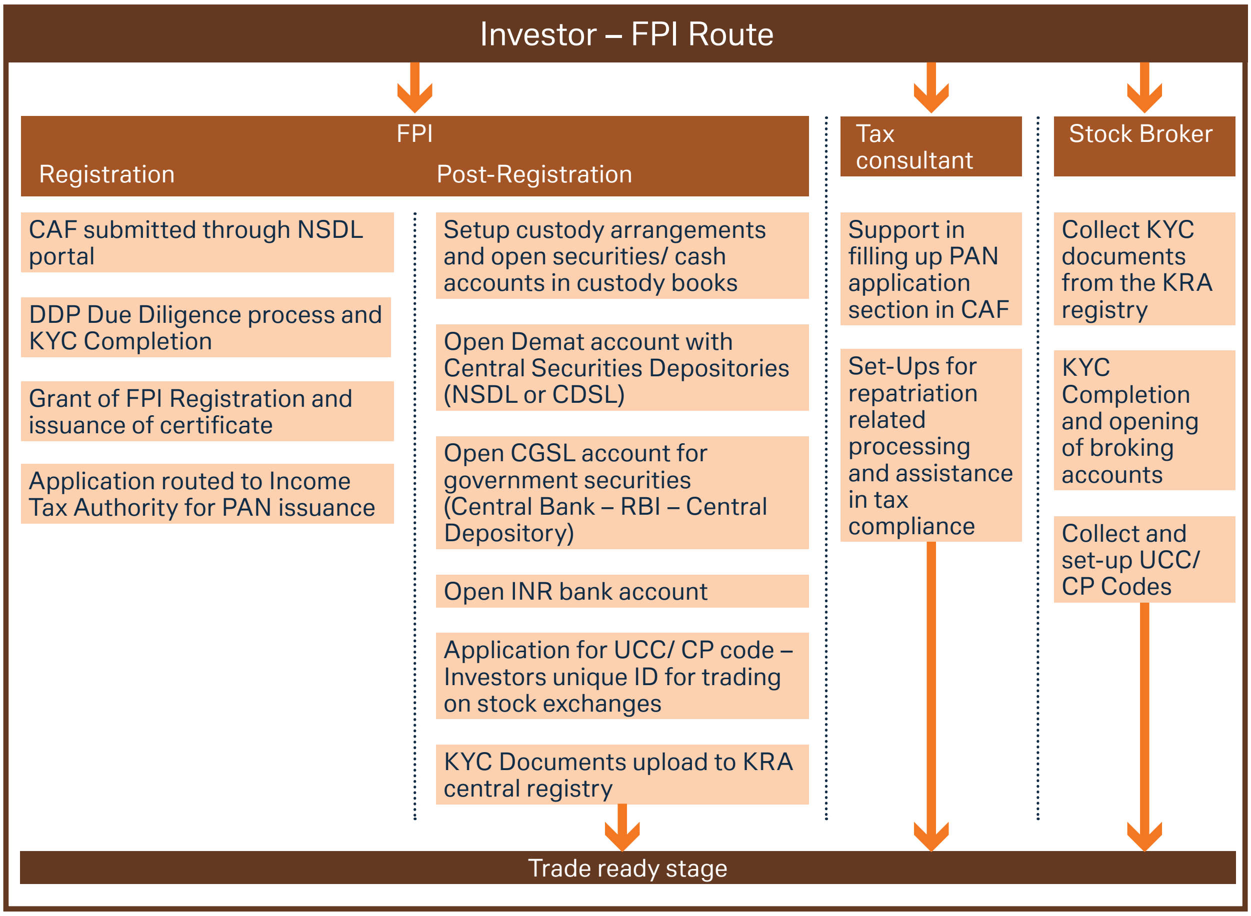
Reporting Format can be accessed at https://www.sebi.gov.in

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. This also brought about important changes to market mechanisms, aimed at creating efficiency as per global standards in key market processes. In 2019, Securities and Exchange Board of India (SEBI) introduced transformational change to improve ease of doing business, aimed to simplify and rationalise the existing regulatory framework for FPIs in terms of the 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, and should be a custodian of securities registered with SEBI, an Authorised Dealer Category I bank authorised by RBI and a Depository Participant. The role of DDP is to perform the due diligence as per the FPI regulations of the applicant basis the application and submission of supporting documents received from the FPI and grant them a registration for portfolio investments into Indian market. The DDP needs to grant registration to the applicant within a period of 30 days from the date of receipt of completed application, supporting documents and the applicable fees.

The FPI is also required to enter into an agreement with the respective DDP, to act as custodian of securities, before making investment 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 corpus of FPI, from a single NRI/ OCI/ RI, and
    - In aggregate, below 50% of corpus of 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
    - 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
  - 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 jurisdiction 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 UN Security Council or a jurisdiction mentioned in public statement of FATF as:
    I. A jurisdiction having a strategic AML or Combating the Financing of Terrorism (CFT) deficiencies to which counter measures apply, or
    II. 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 http://www.fatf-gafi.org/topics/high-riskandnon-cooperativejurisdictions

— 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 these 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 the FATF# member countries Or from a jurisdiction as specified by Government of India by order or treaty/ agreement which are: a. Appropriately regulated funds b. Unregulated funds whose investment manager is appropriately regulated and registered as a Category I FPI* c. University related endowments of such universities that have been in existence for more than 5 years	
6	An entity whose investment manager is from the 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 a 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 a FATF member country' means that the entity has its primary place of business in a FATF member country and, if regulated, is appropriately regulated in a 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
- 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, can request to DDP along with requisite information, documents and payment of applicable fees

6.5. FPI Registration documentation and fees requirement

6.5.1. Common Application Form

Application procedure has been simplified for FPIs by introduction of 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
- Bank and Depository Account opening including information related to Know Your Customer (KYC) for upload to KYC Registration Agency

FPIs will have to submit a single application form through CAF and Annexure to CAF, along with supporting documents and applicable fees for SEBI registration and issuance of PAN. CAF is available on NSDL website and can be accessed as web-based application. Application for allotment of PAN (which would be a part of CAF) is forwarded to Income Tax Authority 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 Appendix)

6.5.3. Registration Fee

The registration fee structure is summarised below:

Category	Entities	Validity of Registration
I	USD 3,000*	3 years
II	USD 300	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 Central Government.

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. Registration Timelines

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 2 communication/ reminders, DDPs may consider closing/ returning the application within a total span of 10 days.

6.5.5. Registration Duration and Renewal of Registration

The FPI registration is valid for a block of 3 years from the date of initial registration. For continuance of the registration, FPI need to file their renewal 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 and the FPI will have to make a fresh application after liquidating all holdings in Indian securities and surrender its earlier FPI 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.

6.6. Requirement of Permanent Account Number (PAN)

Every entity registered as an FPI in India is required to obtain tax registration number (PAN), prior to investing 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 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 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 effect the change in the regulatory system and issue a letter along with fresh registration certificate to such FPI. If there is a delay of more than 6 months in intimation of name change, then the FPI is required to provide the reason for such delay. This delay is treated as violation of FPI Regulations and will be notified to SEBI and liable for penal action, as deemed fit, by SEBI.
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 forthwith inform the DDP and/ or SEBI of the change in such information
— Such material change may include the following:
  — Any direct or indirect change in its structure or ownership or control
  — Change in 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 6 months in intimation of material change by the FPI to the DDP, the DDP shall, forthwith, inform all such cases to SEBI for appropriate action, if any

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 / transferor custodian/ DDP.
— New/ transferee custodian/ DDP may rely on the due diligence carried out by the existing/ transferor 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 ongoing 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. 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
— Only external investment Managers permitted as part of MIM structure
— Investments made under such multiple registrations will be clubbed for monitoring of investment limit
— Free of Cost Asset transfers between such Multi Managed FPI registrations 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

6.7.6. 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 3rd 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)

6.7.7. 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

6.7.8. Addition/ Deletion of Share Class

Any addition of new sub-fund or share class or equivalent structure, where segregated portfolio is maintained, will require 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.

6.8. 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, previously furnished by him to the SEBI or DDP
- 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 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

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 3000*	USD 300	USD 300
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	No margins will apply on Day T. Margins apply on T+1 unless early payment is made.	No margins will apply on Day T. Margins apply on T+1 unless early payment is made.	Upfront margins on Day T.
5	Position limit on Currency Derivative 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

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)
6	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
7	Equity derivatives — Individual securities (Single Stock)	Position limit — 20% of the applicable Market Wide Position Limit (MWPL)	Position limits — 10% of the applicable MWPL	Position limits — 5% of the applicable MWPL
8	Interest Rate Futures	Trading member level position limits 8-11 years maturity bucket –higher of: 10% of Open Interest or INR 12 billion 4-8- and 11-15-year maturity bucket — higher of: 10% of Open Interest or INR 6 billion	Trading member level Position limits 8-11 years maturity bucket — higher of: 10% of Open Interest or INR 12 billion 4-8- and 11-15-year maturity bucket - higher of: 10% of Open Interest or INR 6 billion	Client level position limits 8-11 years maturity bucket — higher of 3% of Open Interest or INR 4 billion 4-8- and 11-15-year maturity bucket — higher of 3% of Open Interest or INR 2 billion

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	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

*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 central government.

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 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, government securities, T bills and similar instruments

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 categories. 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 requirement 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	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
	Form/ KYC Form	Required (Part of CAF)	Required (Part of CAF)
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 mentioned KYC requirement above 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 jurisdiction (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 also, 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 is required to be submitted at the time of account opening
- Intermediary can verify the PAN of FPIs online from website authorised by the Income Tax department. Alternatively, e-PAN issued by CBDT can also be produced by FPI for KYC compliance. PAN is not mandatory for UBO, senior management and authorised signatories of FPI
- 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
- If all KYC information required, is provided in CAF itself, no separate KYC Form to be submitted

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:
  - 25% in case of company and
  - 15% in case of partnership firm, trust 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 also 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 beneficial owner 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) of the FPI

- BO should not be 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

SI. 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 FPIs	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

Non-Resident Indian/ Overseas Citizen of India/ Resident Indian as BO of FPIs

Where NRIs or OCI or Resident Indian Individual (RII) or Resident Indian Non-Individual (i.e., other than individuals) (RINI) are constituents of the applicant, the following conditions to be met:

- Non-Resident Indian (NRI)/ Overseas Citizen of India (OCI)/ RII holding should not exceed the limits specified below:
  - Limit for contribution of single NRI/OCI/RII: 25% of corpus of the FPI, and
  - Limit for aggregate contribution of NRI/OCI/RII: 50% of corpus of the FPI
- RII investments are permitted only through Liberalised Remittance Scheme (LRS) notified by RBI in global funds whose Indian exposure is less than 50%
- RINIs are permitted to be constituent of FPI applicant if:
  - Such RINI is an Eligible Fund Manager (EFM) of the applicant, under section 9A(4) of the Income Tax Act, 1961, and
  - FPI applicant is an Eligible Investment Fund (EIF) as per section 9A(3) of Income Tax Act, 1961 which has been granted approval under the Income Tax Rules, 1962
- NRI/ OCI/ Resident Indian (RI) cannot be in control of FPI. Exception as given below
  - FPI applicant is 'Offshore fund' having 'No Objection Certificate' from SEBI under SEBI (Mutual Funds) Regulations, 1996
  - FPI applicant is controlled by Investment Manager (IM) which is controlled and/or owned by NRI or OCI or RI, and following conditions are satisfied:
    - IM is appropriately regulated in its home jurisdiction and registered with SEBI as a non-investing FPI, or
    - IM incorporated or setup under the Indian laws and registered with SEBI

The above shall not apply to non-investing FPI or if the FPI applicant is investing exclusively only in mutual funds.

In case of temporary breach of above investment limits the FPI should comply with the eligibility conditions within 90 days of its breach. If the FPI remains non-compliant after 90 days, no fresh purchases shall be permitted, and the FPI shall liquidate its existing position in Indian securities market within a period of the next 180 days.

8.2. Attestation of Documents:

- 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

<table>
<tr><th>Document Type</th><th>Document</th><th>Corporate</th><th>Partnership Firm</th><th>Trust</th></tr>
<tr><td rowspan="9">Entity Level</td><td>Constitutive Docs</td><td>Required - Copies of the Memorandum and Articles of Association and certificate of incorporation</td><td>Required - Copy of Partnership Deed
Certificate of registration (If registered)</td><td>Copy of Trust Deed
Certificate of Registration for registered Trusts</td></tr>
<tr><td>Proof of Address</td><td>Required</td><td>Required</td><td>Required</td></tr>
<tr><td>PAN Card</td><td>Required</td><td>Required</td><td>Required</td></tr>
<tr><td>Financials</td><td>Copy of the balance sheets for the last 2 financial years (to be submitted every year)</td><td>Copy of the balance sheets for the last 2 financial years (to be submitted every year)</td><td>Copy of the balance sheets for the last 2 financial years (to be submitted every year)</td></tr>
<tr><td>SEBI Registration Certificate</td><td colspan="3">SEBI registration required only for FVCI investors</td></tr>
<tr><td>Board/ Partner/ Member Resolution or any other equivalent document permitting investments in the securities market</td><td>Required</td><td>Required</td><td>Required</td></tr>
<tr><td>FATCA/ CRS form</td><td>Required</td><td>Required</td><td>Required</td></tr>
<tr><td>KYC Form – Form 11</td><td>Required</td><td>Required</td><td>Required</td></tr>
<tr><td rowspan="4">Senior Management (Whole Time Directors/ Partners/ Trustees etc.)</td><td>List (As a part of KYC form)</td><td>Required</td><td>Required</td><td>Required</td></tr>
<tr><td>Proof of Identity</td><td>Required</td><td>Required</td><td>Required</td></tr>
<tr><td>Proof of Address</td><td>Required</td><td>Required</td><td>Required</td></tr>
<tr><td>Photographs</td><td>Required</td><td>Required</td><td>Required</td></tr>
<tr><td rowspan="4">Authorised Signatories</td><td>List and Signatures</td><td>Required</td><td>Required</td><td>Required</td></tr>
<tr><td>Proof of Identity</td><td>Required</td><td>Required</td><td>Required</td></tr>
<tr><td>Proof of Address</td><td>Required</td><td>Required</td><td>Required</td></tr>
<tr><td>Photographs</td><td>Required</td><td>Required</td><td>Required</td></tr>
<tr><td rowspan="3">Ultimate Beneficial Owner (UBO)/ Shareholding Pattern</td><td>List</td><td>Required – until the Ultimate Beneficial Owner</td><td>Required – until the Ultimate Beneficial Owner</td><td>Required – until the Ultimate Beneficial Owner</td></tr>
<tr><td>Proof of Identity</td><td>Required if UBO with substantial percentage identified</td><td>Required if UBO with substantial percentage identified</td><td>Required if UBO with substantial percentage identified</td></tr>
<tr><td>Proof of Address</td><td>Required</td><td>Required</td><td>Required</td></tr>
</table>

8.4. Mandatory Attributes

NSDL and CDSL, the Depositories in consultation with SEBI have made 6 KYC attributes mandatory to open new demat accounts from August 01, 2021 for all categories of clients. The details would be required from all existing account holders too. The following are the 6 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 3 years — Others - Annually	Annually
Non-High Risk	During continuance of registration i.e., every 3 years	— Regulated entities - during continuance of registration i.e., every 3 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 at the time of application as FPI
- 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 FPIs
- 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

To lock 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 1, maximum 3)
- If the consent flag is marked as "Yes", then a mail is sent to Authorised Representatives of FPIs requesting consent, whenever an intermediary tries to download the KYC information
- On receipt of consent from Authorised Representative, KRA will provide download of KYC details and supporting documents to concerned intermediary
- 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 concerned client
- Whenever the relationship between an FPI and the client is closed, the respective FPI or intermediary will inform KRAs to delink KYC

8.7. Centralised KYC Registry (CKYC)

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

- KYC data of LEs 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

While SEBI has exempted FPI from CKYCR requirements, RBI has made it applicable to FPIs.

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
— Listed — 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 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 Paper* — Municipal Bonds — Unit schemes/ ETF floated by domestic Mutual Funds investing 50% or less in equity	— Stock Index Futures and Options — Stock Futures and Options — Interest Rate Futures — Currency Derivatives	— Units of Real Estate Investment Trusts — Units of Infrastructure Investment Trusts — Units issued by Category - III Alternative Investment Funds

Notes - * Restrictions Apply (Explained in detail in later sections)

9.2. Investment Guidelines – Equity

9.2.1. Overview

— Total FPI investment in equity shares of a company is subject to limits specified at aggregate and individual level (including FPIs from same investor groups)

— All secondary market transactions in equity have to be executed through a registered stockbroker on the floor of the exchange

— 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 holding such shares, under the existing FDI policy of the Government

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 additional or follow on offer of equity shares, to the public, by an existing listed company. Key features of IPO and FPO are:
  - Issuance is either through a book building process or fixed price process or a combination of both
  - 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
  - FPIs are permitted to participate in the IPO through their custodian/ broker and can apply under:
    - QIB - Category (Cat) I and Cat II FPIs (except Individuals, Corporates and Family Offices)
    - Non-institutional Category - Cat II FPI (Individuals, Corporates and Family Offices)
    - Bids once submitted cannot be withdrawn post 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 6 working days from the issue closure 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)
- Preferential Issue/ Private Placement: Shares issued to specific category of institutional investors like mutual funds, insurance companies, FPIs, etc. such issuances can be listed or unlisted shares
- 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: All Rights Entitlements (RE) to be credited to the demat account of the holder, including those holding shares in physical form. REs to be credited to the demat account before issue opening date and these REs can traded on stock Exchanges
- Offer for Sale (OFS): Separate window provided by Exchange for facilitating sale of shares held by the promoters/ promoter group entities of companies in a transparent manner. OFS is open for all investors including FPIs.

* 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.

9.2.2.1. 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 issuer
- Multiple application forms would be identified on basis of PAN and such multiple application forms would be liable to be rejected
- 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 registration 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)

9.2.3. Secondary Market Investments in Equity

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

FPIs are permitted to invest in 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 recognised stock exchange in India is subject to the following ownership limits:

Individual Limit for FPIs (including same investor group)	Aggregate Limit for FPIs

— 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% limits is applicable across investments in the same listed company through
  — ADR/ GDR (post conversion to underlying equity shares),
  — FVCI
  — Participatory Notes/ Offshore Derivative Instrument
	The maximum permissible investment in the shares of a listed company, jointly by all FPIs together, is the sectoral cap:
	— Unless 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

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 and Clearing Corporations - FPIs can acquire/ hold up to 5% of the paid-up equity share capital in a recognised stock exchange or clearing corporation

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

FPIs having common beneficial 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 Government of India has agreements or treaties with other sovereign Governments specifically recognising certain entities to be distinct and separate, or Central Government 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 Allotment

In case 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 as part of investor group, does not breach the investment limit of 10%.

II. Tracking of Limit for FPIs Belonging to the Same Investor Group: Equity Secondary Market Trades

The Depositories monitor the foreign ownership limits for FPIs at aggregate level as well as sectoral cap for secondary market investments. The depositories also monitor the individual investment limit related to the FPIs belonging to the same Investor group. This is based on demat holdings data, daily on an end of day basis. 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

- 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 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

- Exchanges 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 5 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 it 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 would be made at the end of T+1 day (T=Trade Date); hence the foreign investors who have purchased the shares during the trading hours on T+1 day would need to divest such shares within 5 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 necessary 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	1000
Excess shares, to be divested in 5 working days	400 (40% of the purchases executed on day of breach)

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

Time of purchase	Investor	Shares Purchased	Cumulative purchase	To be divested	Shares 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	1000	96	144
Total		1000		400	600

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

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

— Divesting holdings within 5 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 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, further

The FPI, through its custodian, shall bring the same to the notice of the depositories as well as the concerned company for effecting necessary changes in their records, within 7 trading days from the date of settlement of the trades causing the breach. 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 is 25% of the 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). This is provided the acquisition does not result in the acquirer breaching any maximum permissible non-public shareholding
— 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 SAST Regulations The minimum number of shares to be sought in an open offer by an acquirer is 26% of the shares of voting capital in a company
— 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 10th working day from the closure of the tendering period; tendering period is the period within which shareholder can tender shares in acceptance of an open offer

II. Reporting under SEBI (SAST) Regulations 2011

— Under the SEBI (SAST) Regulations 2011 when shares or voting rights acquired by an acquirer (including PAC), taken together with those already held by the acquirer (including PAC), in such target company aggregates to 5% or more the acquirer needs to report/disclose their aggregate shareholding and voting rights

- Any acquirer who together with persons acting in concert with him, holds shares or voting rights in a target company aggregating to 5% or more, shall disclose every acquisition or disposal of shares of the target company of 2% or more of the shares or voting rights
- The reporting for above 2 points needs to be done within 2 working days of the receipt of intimation of allotment of shares, or the acquisition 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
- Continual Disclosure: every entity that holds shares or voting rights entitling them to exercise 25% or more of the voting rights in a target company, shall disclose their aggregate shareholding and voting rights as of the March 31, in such target company within seven working days from the end of each financial year to:
  - Every stock exchange where the shares of the target company are listed, and
  - The target company at its registered office

This requirement is being discontinued from April 01, 2022.

Summary Table

Particular	Open Offer	Reporting/ Disclosure
Initial Trigger	Acquiring 25% or more	Acquiring 5% or more
Incremental Trigger	More than 5% per financial year	Change of more than 2% (even if that change takes holding below 5%) from 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 unpublished price sensitive information at least 2 days prior to trading has been made mandatory in case of permitted communication of unpublished price sensitive information
- 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. Securities Lending and Borrowing (SLB)

In India, Securities Lending and Borrowing is offered on the Exchange platform. FPIs are permitted to participate in the SLB market to lend and borrow securities through SLB mechanism offered by the exchanges. Naked short selling is not permitted in the Indian securities market and investors will be required to mandatorily honour their obligations of delivering the securities at the time of settlement. Accordingly, the scheme for securities lending and borrowing was put in place.

NCL and the 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 counterparty to every trade, and settlement is guaranteed
- Contracts ranging from 1 day to 12 months
- Available on all derivative stocks plus few additional scrips
- Recall and Repay facility available
- Corporate actions are adjusted to ensure lender receives all benefits; in the event of corporate actions other than dividends, stock splits and AGM/ EGM, foreclosure is executed by clearing house. In case of AGM/ EGM, SLB product provides options to execute contracts with foreclosure or without foreclosure
- Short selling against borrow trades are permitted in securities on which derivative products are offered; short selling is not permitted in equity shares which are in RBI's foreign ownership ban list and/ or caution list
- 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
- All transactions would be grossed for institutional investors at the custodians' level and the institutions would be required to fulfil their obligations on a gross basis; day trading i.e., intraday square-off of transactions is not permitted
- A screen-based, exchange-traded system, where the exchange's clearing corporation collects the collateral and acts as a central counterparty, has been implemented for SLB; therefore, unlike other markets, OTC SLB transactions are not permitted
- Borrowing of equity shares by FPIs shall only be for the purpose of delivery into 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
- The margin/ collateral shall be maintained by FPIs only in the form of cash; no interest shall be paid to the FPI on such margin/ collateral

NCL and ICCL permits rollover in Securities Lending and Borrowing Scheme (SLBS) to facilitate lenders or borrowers who wish to extend an existing lend or borrow position. The conditions for such roll-over of positions are as follows:

- The total duration of the contract after taking into account rollovers shall not exceed 12 months from the date of the original contract
- The last trading day of rollover contracts shall be the 4th working day prior to expiry of respective near month series, excluding settlement holidays
- In case of corporate actions in a security resulting in foreclosure, no rollover shall be allowed from or to the series getting foreclosed, of the security

Position Limit

The following position limits will be applicable to SLB transactions

Level	Position Limit	Source of Information
Market-wide limit	10% of the free-float capital of the company in terms of number of shares	Market-wide limit will be announced by the NCL/ ICCL on a month end basis.
Clearing member/ Participant	Open position restricted to 10% of the market-wide position limits	To be computed by the clearing member/ participant.
FPIs	Open position restricted to 10% of the market-wide position limits	This limit is applicable at the FPI level.

9.4. Investment Guidelines - Fixed Income

9.4.1. Investment Routes and Restrictions

Foreign Portfolio Investors (FPIs) are permitted to invest in Fixed Income (G-Secs, SDLs, Corporate Debt) under FEMA and FPI regulations. Key features of these are as below:

- FEMA provides 3 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): Greater flexibility to bring in funds or exit, however, access to securities is comparatively limited, and deeper restrictions
    - Voluntary Retention Route (VRR): Wide range of instruments permitted with limited restrictions, subject to lock-in of investment corpus for 3 years or higher period (as committed by the FPI)
    - Fully Accessible Route (FAR)- Least restrictions as investments permitted without limits, however, securities permitted under the route are very limited
- Investments in debt are largely governed by RBI under the FEMA Debt Instrument Regulations 2019 and any notifications issued by RBI thereunder

The table below gives broad comparative summary of the 3 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 Investment	Yes.	— Aggregate limit - INR 1500 billion (as made available) — Individual limit per FPI — As may be obtained by bidding – CPS	No quantitative limit applicable. The specified securities will be fully accessible to eligible foreign investors.
Lock-in on Investments	No lock-in provisions on investments. Fund 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, fully repatriable.

Subject	General Investment Limit – Medium Term Framework (GIL-MTF)	VRR	FAR
Eligible Investors	FPI	FPI	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

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 portfolio under G-Secs category.	All G-Secs are permitted.	Only specified G-Secs as below:
			— Securities issued after 1st April 2020, with tenor of:
			  — 5 years
			  — 10 years
			  — 30 years
			— The following securities which are issued prior to 1st April 2020:
			  — 6.18% GS 2024 (IN0020190396)
			  — 7.32% GS 2024 (IN0020180488)
			  — 6.45% GS 2029 (IN0020190362)
			  — 7.26% GS 2029 (IN0020180454)
			  — 7.72% GS 2049 (IN0020190032)

Investments in SDLs	Yes, with 30% condition on less than 1-year residual maturity applicable.	Yes	No
Investments in Corporate Debt	Yes, with residual maturity above 1 year.	Yes	No
Investments in Commercial Paper	No	Yes	No
Investments in Mutual Fund Units	Yes	No	No

Subject	General Investment Limit – Medium Term Framework (GIL-MTF)	VRR	FAR
Security-wise limit in G-Sec and T-Bill	30% of outstanding stock of the security.	30% of outstanding stock of the security.	No such limit.
Residual Maturity Conditions	Investments should be in more than 1 year residual maturity. — Exception for G-Sec and T-Bills. — Investments in less than 1 year on a continuous basis (i.e. roll down of portfolio) should not exceed 30% of the total portfolio value in that category	No restrictions on maturity period.	No restriction on maturity period.
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 27th 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.	Investment in Corporate Bonds is not permitted.
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.	Investment in Corporate Bonds is not permitted.
Mandatory use of Route	No. — Either GIL-MTF or VRR may be used subject to availability of head-room 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 head-room under the route — This route cannot be used to invest in FAR-specified securities	Mandatory for eligible investors investing in specified securities to use FAR.

Subject	General Investment Limit – Medium Term Framework (GIL-MTF)	VRR	FAR
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 VRR.	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 GIL-MTF 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
- Link for limit monitoring
- Corporate Debt – https://www.fpi.nsdl.co.in/web/Reports/ReportDetail.aspx?RepID=1 and https://www.cdslindia.com/Publications/FIIs.aspx
- Government Debt (under GIL-MTF, VRR and FAR): https://www.ccilindia.com/FPIHome.aspx
- Aggregate Limits for the FPIs in each category:
  - G-Secs: The limit for FPI investment in G-Secs is 6% of outstanding securities
  - SDLs: Limits in absolute terms are specified by RBI
  - Corporate Debt: This limit has now been fixed at 15% of outstanding stock of corporate bonds

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

I. Additional Points on Residual Maturity

G-Sec and T-Bills	Corporate Debt
FPIs permitted to invest in short term Government Debt instruments under below conditions: — FPIs holding in G-Secs 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). — FPIs permitted to invest in T-Bills within this 30% limit for short term — 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 — If short term investments consist entirely of investments made on or before April 27, 2018, the short-term investments can exceed 30% limit	FPIs permitted to invest in Corporate Bonds with a residual maturity of above 1 year. FPI holding short-term investments in corporate bonds is governed by: — 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 1 year will be reckoned for the 30% limit — This 30% limit is not applicable to exempted securities

Note:
- Short Term Maturity Investment means residual maturity of less than 1 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 SDL 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 Bond limits 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 Depositories (NSDL/ 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 central government debt security 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 issue falls below 30%
- Securities which are very close to the 30% limit, it will be possible that securities which were not in the negative list at the beginning of the day may enter the negative list

during the day due to the purchase transaction reported by other FPIs on NDS-OM; it is advisable for clients to send the deal instructions as soon as the deal is executed

— 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 Government Securities
   - 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 Government Securities will remain unchanged for this additional facility as well

ii. Sale/ Maturity of the Existing investment:
   Any proceeds arising out of sale/ redemption of Government Securities acquired from coupon receipts, shall be eligible for a re-investment period of 2 working days.

iii. Coupon Re-investment:
   - FPIs have been permitted to reinvest the coupons earned on their existing investments in Government Securities, even when the limits are fully utilised
   - These investments by FPIs in Government Securities has been kept outside the applicable limits till the next reset of limits, when it shall be reckoned with in the utilised limit
   - FPIs will have an investment period of 2 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 re-classified
   - 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 FPI 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 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 1 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

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.

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 30 days or the issue is not meeting end use restriction, FPI shall immediately dispose such investment to either domestic investor or issuer.

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), then will conduct an auction for the unutilised debt limits on the 2nd trading day from the date of receipt of intimation from the depositories. Thereafter, the auction will be conducted alternately on NSE and BSE.
- The auction will be held only if the free limit is greater than or equal to INR 1 billion. If the free limit remains less than INR 1 billion for 15 consecutive trading days, then an auction shall be conducted on the 16th trading day to allocate the free limit.

Summarised Auction Mechanism for Obtaining Limits in Corporate Debt

Topic	Corporate Debt
Duration of bidding	The bidding shall be conducted for 2 hours from 3:30 p.m. to 5:30 p.m.
Access to platform	Trading Members or custodians
Minimum bid	INR 10 million
Maximum bid	One-tenth of free limit being auctioned
Tick Size	INR 10 million
Allocation Methodology	Price time priority
Pricing of bid	Minimum flat fee of INR 1000 or bid price whichever is higher.
Auction platform	Alternating between BSE and NSE.
Maximum limit	A single FPI/ FPI Group cannot bid for more than 10% of the limits being auctioned
Auction trigger	Utilised Limit crosses 95%
Discontinue auction	Utilised Limit falls below 92%
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 2 trading days. If reinvestment is not made within 2 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

9.4.1.2. 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 invesment 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 3 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 2 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 this 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

- G-Secs, T-Bills, SDL
- 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 Bank eligible for regulatory capital
- Rupee 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

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 3 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 the General investment route, it will be permitted to invest in the same ISIN under VRR, only with specific permission from RBI on a case-to-case basis
- 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
- Hedge - FPIs investing in VRR are permitted to manage/ or hedge their Currency and Interest rate risk by participating in OTC or exchange traded – Currency and Interest rate derivative instruments

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

9.4.2. Primary Issuances

I. G-Secs and SDLs

- G-Secs are issued by RBI through Primary Market Auction and can be subscribed by FPIs, apart from various domestic investors
- Investors need to provide their instructions to the custodian or the primary dealer, to submit in the bidding platform (E-Kuber system of RBI) latest by noon on auction date
- The auction results are announced 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 Platform if it is: — A single issue of INR 2 billion or more; — A shelf issue of multiple tranches, which cumulatively amounts to INR 2 billion or more, in a financial year; — A subsequent issue, where aggregate of all previous issues by an issuer in a financial year equals or exceeds INR 2 billion	Optional An issuer, irrespective of issue size, may choose to access EBP platform for private placement of: — Debt securities issued by municipality or corporate municipality — Commercial Paper — Certificate of Deposits
Platform Providers	— Stock Exchanges — Depositories	
Framework	— Issuer to disclose PPM/ 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 enrol with EBP before entering bids, by completing the necessary KYC — 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	

9.4.3. 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

9.4.3.1. Request for Quote Platform

- Electronic trading mechanism provided by the exchange for execution of trades in eligible Debt Segment
- Flexibility to initiate a quote using 'Yield', 'Price' or 'Both'
- Both Bid (Buy)/ Offer (Sell) executable quotes can be entered by initiating dealer
- Benefits 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
  - Initiator also has the option 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
  - The seller participant will enter the price and the system will calculate the accrued interest and total consideration, which has to be accepted by the buyer
  - All quotes entered will auto-expire at the end of the trading session for the day

Eligible Securities would include:
— Corporate Bonds
— Securitised Debt
— Municipal Bonds
— G-Secs, SDL and T-Bills
— Commercial Paper (CP)*
— Certificate of Deposit (CD)*
	Eligible Participants are:
	— Regulated Entities
	— Listed Corporates
	— Institutional Investors as per ICDR Regulations:
	  — Qualified Institutional Buyers (QIB)
	  — Family Trusts or intermediaries registered with SEBI having net-worth above INR 5 billion
	— All India Financial Institutions

G-Secs, SDLs, and T-Bills will be available only with settlement mode of T+1	
— 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 CDs , and can invest in CPs only through VRR .

Working Hours

RFQ will be operational from Monday-Friday as per below timings:

Security type	Market Hours
For T+0 Settlement (All eligible securities except G-Sec, SDL and T-Bills)	09:00 a.m. to 04:00 p.m.
For T+1 Settlement (All eligible Securities)	09:00 a.m. to 05:00 p.m.

Cut-off time to flow Trade for settlement will be as follows:
— For T+0 settlement: 09:00 a.m. to 04:15 p.m.
— For T+1 settlement: 09:00 a.m. to 05:15 p.m.

9.5. 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, Currency Derivatives.

Investment Position Limits

<table>
<tr><th>Instrument Type</th><th>All Category I (Including Long Term)</th><th>Category II FPIs that are Individuals, Corporates and Family Offices</th><th>Category II FPIs (Other than Individuals, Corporates and Family Offices)</th></tr>
<tr><td>Stock Derivative Position Limit</td><td>20% of Market-wide Position Limits</td><td>5% of Market-wide Position Limits</td><td>10% of Market-wide Position Limits</td></tr>
<tr><td>Index Derivative Position Limit</td><td>Higher of:
— INR 5 billion, or
— 15% of total open interest of the market in index futures</td><td>Higher of:
— INR 1 billion, or
— 5% of total open interest of the market in index futures</td><td>Higher of:
— INR 3 billion, or
— 10% of total open interest of the market in index futures</td></tr>
<tr><td>Additional Limits for Index Derivatives</td><td colspan="3">— 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, government securities, T bills and similar instruments</td></tr>
<tr><td colspan="4">Interest Rate Futures (Overall Limit of INR 50 Billion)</td></tr>
<tr><td>8-11 years maturity bucket</td><td>10% of Open Interest or INR 12 billion whichever is higher</td><td>3% of Open Interest or INR 4 billion, whichever is higher</td><td>10% of Open Interest or INR 12 billion whichever is higher</td></tr>
<tr><td>Interest Rate Futures: 4-8 and 11-15 year maturity bucket</td><td>10% of Open Interest or INR 6 billion, whichever is higher</td><td>3% of Open Interest or INR 2 billion, whichever is higher</td><td>10% of Open Interest or INR 6 billion, whichever is higher</td></tr>
<tr><td></td><td colspan="3">The limit of INR 50 billion for IRFs 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</td></tr>
</table>

Notes:

- The Position Limits available in Stock Index Derivatives are separately available for Futures and for Options.
  https://www.nseindia.com/products/content/derivatives/equities/position_limits.htm
- A separate limit of INR 50 billion has been allocated for FPIs investing in IRFs, offered for following:
  - 91-day T-Bills
  - 6-year Government of India security
  - 10-year Government of India security
  - 13-year Government of India security

9.5.1. 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 get 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 5 trading days or by expiry of contract, whichever is earlier

9.5.2. 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 Derivative segment of the Exchange. The information related to currency hedging are provided in Chapter 12.

9.6. Hybrid Securities (REITs, InvITs and AIFs)

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

FPIs have been permitted to invest in REITs and InvITs. REITs and InvITs are 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 asset” includes properties, whether, freehold or leasehold basis, whether directly or through a hold co 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 projects, reduce debt cost for the infrastructure development company, and allow investors access to a different class of portfolio to invest in.
Offering Units for Subscription	— Initial Offer: Only Public Issue permitted — Subsequent Issue: Follow-on public Issue, Preferential Allotment, Rights Issue, Bonus Issue, offer for sale or any other mechanism permitted by SEBI	— Initial Offer: Only Public Issue permitted — Subsequent Issue: Follow-on public Issue, Preferential Allotment, Rights Issue, Bonus Issue, offer for sale or any other mechanism permitted by SEBI
Issue of Units		
Conditions for public offer	— Value of assets owned by REIT is at least INR 5 billion — The minimum number of unit holders forming part of public is 200. Sponsor, it’s related party and associates would not be included in this count. If the count is below 200, all subscription amount should be refunded	Value of all the assets owned by InvIT is not less than INR 5 billion

	REITs	InvITs

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 and units being offered, 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 and units being offered, 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, 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, if the post issue capital at offer price is more than INR 40 billion

Minimum Subscription	Minimum subscription amount from an applicant to be range of INR 10,000-15,000	Public Offer: Minimum subscription from an applicant to be in range of INR 10,000-15,000 Private Placement: Minimum subscription from an investor to be INR 10 million (See Note)
Maximum Subscription		25% of total unit capital, per investor in the initial offer
Minimum investors	200	Private Placement: 5 (together holding at least 25% of total units at all times)
Refund Money	Refund money to all applicants in case it fails to collect minimum subscription amount of 90% of the issue size	
Subscription Period	Maximum permissible period for subscription to be open is 30 days	
Allotment	— Allotment or refund, should be within 12 working days from date of closure of issue — Units can be issued only in demat form — Price of REIT 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	
Offer for Sale	Existing unit holders of REIT are allowed to offer units for sale to public, if such units have been held by them for at least 1 year (up to the date of filing offer document), — Holding period for compulsorily convertible securities (from the date such securities are fully paid-up) in the Holdco and/ or SPV against which the units have been received, is considered for the purpose of calculation of 1 year period. This is in addition to the existing provision for equity shares or partnership interest — Further, the compulsorily convertible securities, whose holding period has been included for the purpose of calculation for offer for sale, shall be converted to equity shares of the holdco or SPV, prior to filing of offer document	

	REITs	InvITs
Listing and Trading		
Mandatory Listing	Listing on recognised stock exchange mandatory after Initial Public Offer (IPO), within 12 working days from closure of offer	Listing on recognised stock exchange is mandatory: — Privately placed units: within 30 working days of allotment — Publicly offered units: within 12 working days of closure of the IPO
Trading Lots	1 units	Public Issue: 1 units Private Placement: INR 10 million (See Note)
Preferential issue and private placement		
Definition	Institutional Placement has been defined as preferential issue of units by a listed REIT/ InvIT, only to Institutional Investors	
Operational modalities	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 InvITs Regulations — Units of the same class, as those proposed to be allotted should have been listed on a stock exchange for at least 6 months before the date of notice convening meeting of unitholder for above resolution — For Institutional Placement, the period for listing is at least 12 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 6 months from the date of the prior institutional placement	
Strategic Investor		
Definition	'Strategic Investor' means below investors who invest, either jointly or severally, at least 5% 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	

	REITs	InvITs
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 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 2 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

9.6.2. Alternative Investment Funds (AIFs)

Under SEBI (AIFs) Regulations, 2012, AIFs require registration with SEBI under 1 of 3 categories. While non-resident investors are permitted to invest in the 3 categories, FPIs are permitted to invest in only Category - III AIFs, up to 25% of the capital of AIF, except those investing in Commodities derivatives market. All investment conditions and restrictions as applicable to FPIs will be applicable for the category III AIF.

9.6.2.1. Private Placement

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

9.6.2.2. Investment Restrictions and Conditions for AIFs

Category I — VCFs, including angel funds — SME Funds, — Social venture funds, — Infrastructure funds	— Permitted to invest in investee companies or venture capital undertakings or in special purpose vehicles or in LLP or in units of other AIFs — A particular sub-category may invest in the units of the same sub-category — Cannot borrow funds directly or indirectly or engage in leverage, except for meeting temporary funding requirements for more than 30 days, on maximum 4 occasions in a year up to 10% of its investible funds — Can invest only up to 25% of the investable funds in 1 Investee Company In addition to these investment conditions, the AIF Regulations also prescribe a set of investment conditions in respect of each sub-category of Category I AIFs.
Category II AIFs which don't fit in Category-I or Category III	— Invest primarily in unlisted investee companies or in units of other AIFs (Cat I and II only) — Cannot borrow funds directly or indirectly or engage in leverage, except for meeting temporary funding requirements for maximum 30 day up to 4 occasions in a year and up to 10% of its investible funds; — 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 — Exempt from Regulations 3 and 3A of the Insider Trading Regulations in respect of investments in companies listed on SME exchange or SME segment of an exchange pursuant to due diligence of such companies. Subject to conditions that the AIF discloses any acquisition/ dealing within 2 days to the stock exchanges where the investee company is listed and such investment will be locked in for a period of 1 year from the date of investment — Can invest only up to 25% of the investable funds in 1 Investee Company
Category III AIFs which employ diverse or complex trading strategies and may employ leverage	— 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 — 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 1 Investee Company — Permitted to participate in Commodity Derivatives Exchanges as 'clients', subject to limit of maximum 10% of investible funds in 1 underlying commodity, disclosure in PPM and fulfilment of certain other conditions

9.6.2.3. General Investment Conditions

Investments by all categories of Alternative Investment Funds shall be subject to the following conditions:

- Invest in securities of companies incorporated outside India subject conditions or guidelines by SEBI
  - USD 750 million have been notified for overseas investments by domestic AIFs and Venture Capital Funds (VCFs)
- Co-investment in an investee company by a Manager or Sponsor shall not be on terms more favorable than those offered to AIF
- Investment in associates require approval of 75% of investors by value of their investment
- Un-invested portion of the investable funds may be invested in liquid mutual funds or bank deposits or other liquid assets of higher quality such as T-Bills, CBLOs, CP, CD, etc. till deployment of funds as per the investment objective
- Investment by Cat I and II AIFs in the shares of entities listed on Institutional Trading Platform to be deemed to be investment in 'unlisted securities'
- AIFs are notified as 'Qualified Buyer' of Security Receipts (SRs) issued by Asset Reconstruction Companies (ARCs). The permission is subject to following conditions:
  - AIF which has invested in an ARC shall not invest in the SRs issued by that ARC
  - AIF shall not invest in the SRs issued on the underlying loans of any of its associate or group company
  - The AIF shall not invest in the SRs backed by non-performing assets of banks which hold equity of more than 10% in that AIF

9.6.2.4. Listing

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

9.6.2.5. 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 citizen of or any other entity which is registered/ incorporated in any country which shares land borer with India)
- A Non-Resident Indian (NRI)
- Other AIFs
- A FPI is permitted up to 25% stake in a Cat-III AIF, provided the AIF does not invest in commodities

9.6.2.6. Stewardship Code

SEBI has mandated stewardship code for domestic Mutual Funds and AIFs, which provides for formulation and public disclosure of comprehensive policy on discharge of stewardship responsibilities, by MFs and AIFs (Institutional Investors).

9.6.3. 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.

9.7. Reporting Requirements

The table below summarises the reporting requirements for FPI.

Report	Reporting to	Frequency	Responsibility	Remarks
FPIs				
Assets under custody	SEBI	Fortnightly, Monthly	Custodian	
Equity and Debt Transaction	SEBI, RBI and Depositories (NSDL, CDSL)	Daily	Custodian	
CSGL reporting of transaction	RBI	Weekly	Custodian	
Original Maturity wise FPI holding 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 GOI securities by FPI	RBI	Daily	Custodian	
Utilised-unutilised Debt limit	SEBI and RBI	As and when	Custodian	
FPI holding in corporate debt and G-Sec	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	
Foreign Exchange inflow and outflow details	RBI	Daily, weekly and monthly	AD Category I Bank	
Report for GDR repatriations	RBI	Monthly	AD Category I Bank	
Balances for FPI clients	RBI	Weekly	AD Category I Bank	
Details of outstanding forward contracts	RBI	Monthly	AD Category-I Bank	
Non trade data (dividend, interest etc.)	RBI	Quarterly	AD Category-I Bank	

Report	Reporting to	Frequency	Responsibility	Remarks
Breach of permitted position limits in currency derivative segment	SEBI/ RBI	On occurrence of the breach	Custodian Bank	
SEBI (SAST) Regulations, 2011	Please refer above to section 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	FPI issuing ODI	Exception reporting: Only cases of divergence from reported monthly data
Periodic Operational Evaluation Certificate	SEBI	Annual	CEO or equivalent of the issuer	

9.8. Investment Guidelines - Offshore Derivative Instruments (ODIs)

Offshore Derivative Instrument/ 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.

9.8.1. 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 FPI

II. Regulatory Fees

Each ODI subscriber need to remit USD 1,000 to the FPIs issuing ODIs. The FPIs to deposit the fees with SEBI once every 3 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	List
	Proof of Identity
	Proof of Address
Senior Management (Whole Time Directors/ Partners/ Trustees etc.)	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 issuing FPIs 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 the look through basis. The list of BO to be maintained in same manner as applicable to FPI

SI. 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 FPIs	Tax Residency Number/ Social Security Number/ Passport Number of BO (Please provide any)
1							
2							

— ODI issuing FPIs shall also continue to collect identification document number (such as passport, driving license) of BO of ODI subscriber

— 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 3 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

- 2 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 9.9.1 (II) and 9.8.1 (III)
- Prior consent of the 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. Grandfather of existing ODI position

All the ODI positions which are not in accordance with the above requirements are permitted to continue till the expiry of the ODI contract. No additional issuances/ renewal/ rollover of such positions shall be permitted.

VIII. 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.

IX. 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% 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 holding 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 same FPI registration.

9.8.2. Reporting of Issuance of ODI/ Participatory Notes by FPIs

- ODI issuing FPI issuing have to submit reports as per specified format and frequency.
- A monthly summary report and transaction details by the 10th of every month for previous month 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
  - To avoid duplication of reporting, in case ODI is issued to another FPI who in turn issues an ODI, then both the FPIs need to report the ODI issuance. The first FPI will limit the intermediate transfer to the extent of second FPI; the second FPI will report the further issuance
  - 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 1 month of end of every calendar year) to SEBI duly signed by the Chief Executive Officer (CEO) or equivalent of the ODI issuing FPI

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

The equity stock market in India transitioned to T+2 rolling settlements effective from April 2003. Effective April 2019, the equities market has moved fully to settlement of shares by book transfer to eliminate physical shares. With view to leverage on technological developments within securities market processes and reduce market risk, SEBI is seeking to move to T+1 rolling settlement. To this end, effective January 01, 2022, SEBI has permitted the Stock Exchanges to move individual securities to T+1 rolling settlement, at their option, with prior notice. The exchange would have to keep such securities in T+1 rolling settlement for at least 6 months.

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
— Clearing Corporations (CCs) like the NSE Clearing Ltd. (NCL)/ Indian Clearing Corporation Limited (ICCL)/ Metropolitan Clearing Corporation of India Ltd. (MCCIL): Responsible for post trade activities of 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 TMs\ investor client and ensures 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 their 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 CM 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 Ltd. (NSDL) and Central Depository Services Ltd. (CDSL): Provide electronic transfer of securities and help in settlement of the dematerialised securities

I. Interoperability of Clearing Corporations

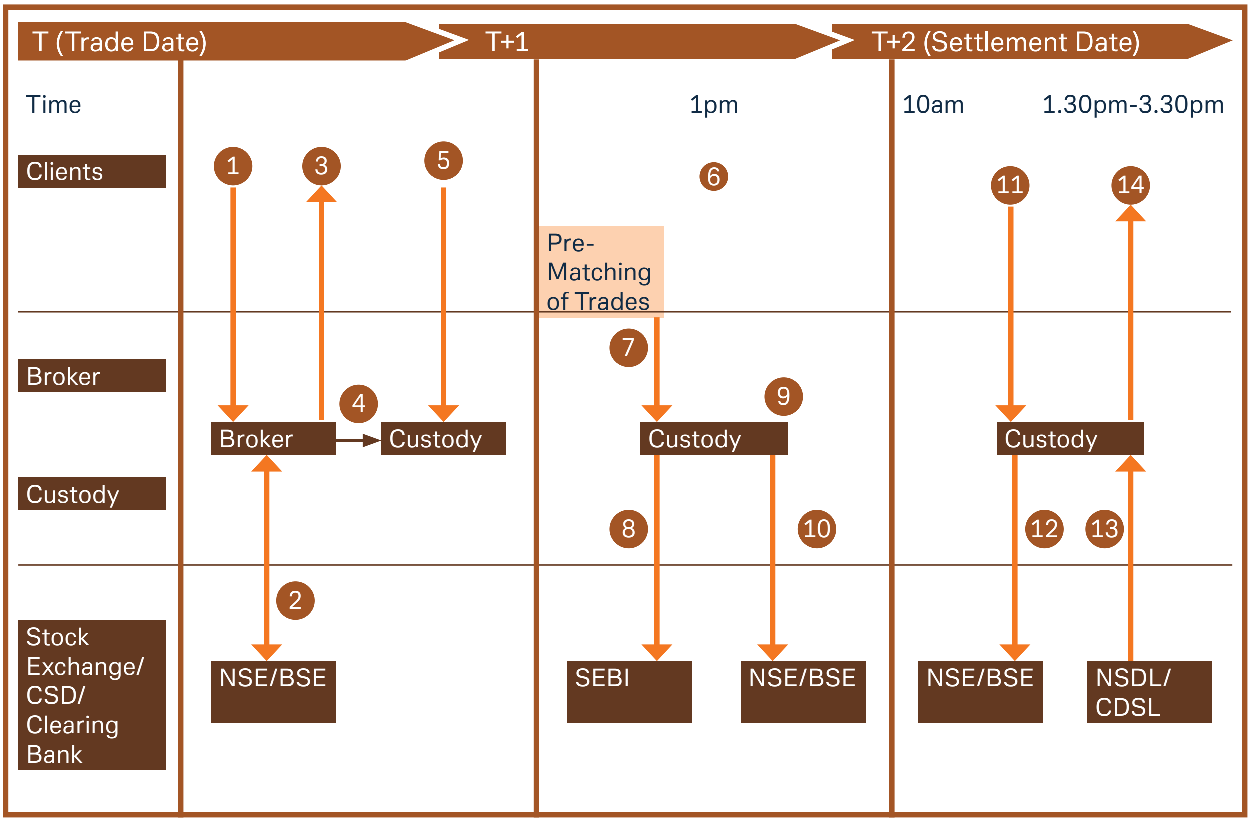
Previously, trades had to be settled only through the CC of the stock exchange on which the trade was executed. i.e., Trades on NSE would be settled through NCL, and trades on BSE through ICCL. Since the introduction of Interoperability, the CMs need to designate a CC through which the settlement of 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.

Institutional Trades: 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 or T+1. Custodians are required to confirm the trade to their designated CC for settlement latest by T+1 1.00pm (IST). All confirmed trades will have to be settled by the custodian on T+2.

Non institutional trades: 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, the custodians are required to collect margins and report to CC, post confirmation of trades on T date instead of T+1.

Broad pictorial representation of the Settlement flow is as below:

Settlement Flow - Equity Purchase Trade

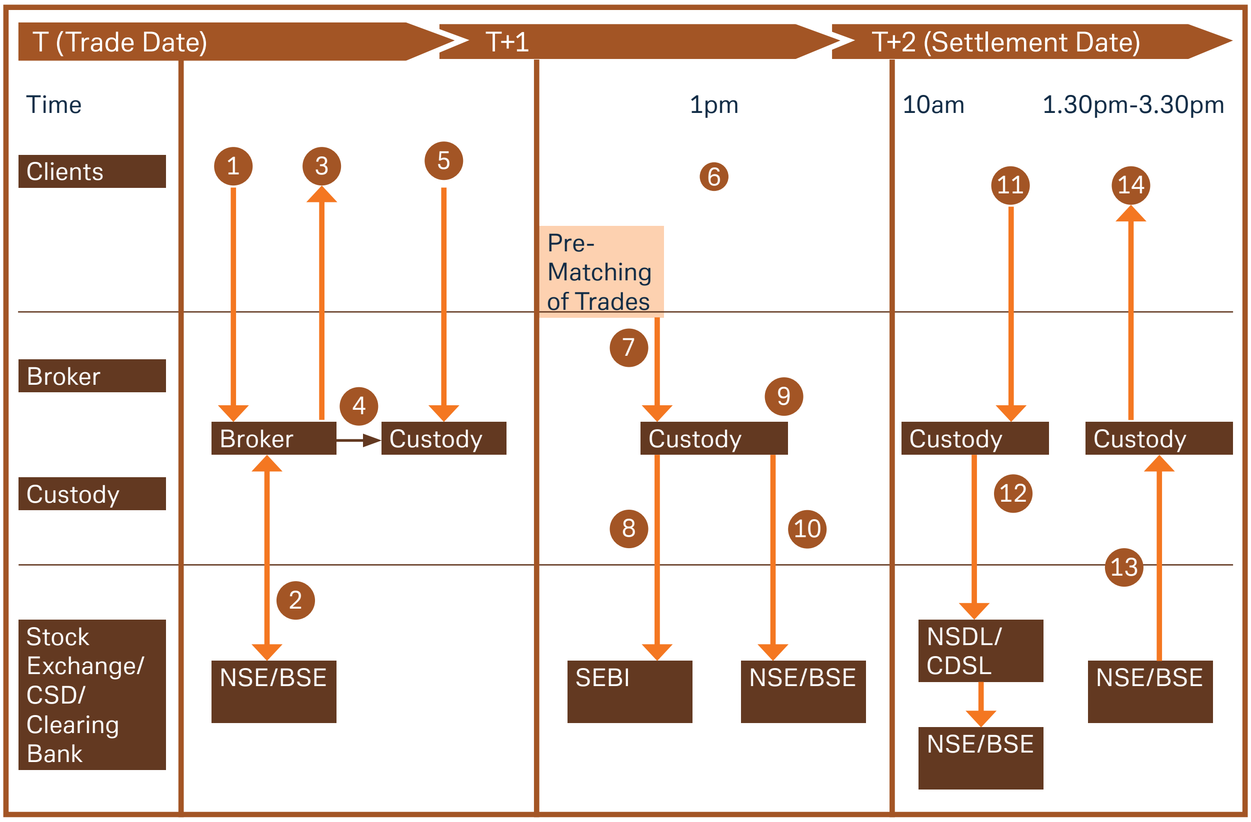


Legend

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
6 Client to arrange for INR funds towards margin/ full Settlement (early pay-in)
7 Pre-matching done and Trade confirmation by 1pm, T+1 by Custodian. For non-institutional clients trades have to be pre-matched and confirmed by 7.30 PM on T date
8 Reporting of transactions to SEBI
9 Clients bank account maintained with custodian debited for margin/ early pay-in proceeds; for non-institutional clients the early pay-in needs to be done on T date
10 Pay margins/ Early pay-in of funds to the designated clearing corporation through the clearing bank; on T date for non-institutional clients
11 For clients who have opted for margin, Net settlement amount is debited from client's account by T+2, 10am
12 Payment for settlement value to the exchange through the clearing bank
13 Pay-out of securities via depositories and credited to the client's security account maintained by the custodian
14 Settlement confirmation to client

Settlement Flow - Equity Sale Trade



Legend
1. Client sends trade instruction to the 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
6. Client to arrange for margin proceeds/ instruct for early pay-in of securities
7. Pre-matching done and Trade confirmation by 1pm, T+1 by Custody; for non-institutional clients trades have to be pre-matched and confirmed by 7.30 PM on T date
8. Reporting of transactions to SEBI

9. Clients bank account maintained with custodian debited for margin (unless client has opted for early pay-in of securities)
10. Pay margins/ Early pay-in of securities to the designated clearing corporation; for non-institutional clients the early pay-in needs to be done on T date
11. For clients who have opted for margins, securities are debited from the client's account on T+2, by 10 am
12. Pay-in of securities by 10 am to the depositories
13. Payout of funds received via the clearing bank
14. Credit proceeds to the client's account and send settlement confirmation to the client

II. Margins in Cash Market

The following margins are being levied on institutional trades on a T+1 basis and on non-institutional trades on T date.

— Value-at-Risk (VaR) Margins
— Extreme Loss Margins (ELM)
— Mark To Market (MTM)
— Peak Margin

Transaction Type	Obligation	Payable By	Mode	Payment on
Buy/ Sell	— VAR and ELM Margins: These margins are applied by the stock exchanges at end of day on T+1 on the custodian. The custodian is required to collect these margins in turn from the clients. — MTM Margins: as applicable at the end of T+1 day are also payable. MTM margin can be paid by 9:30 am IST on T+2 day.	Buyer/ Seller as the case may be	Payable in — Cash or cash equivalents like bank guarantees, fixed deposits*; or — Approved securities specified by NSCCL or ICCL, — Early pay-in of funds / securities permitted to avoid margin payment. * Bank guarantees, fixed deposits are not applicable for FPIs.	T+1 for VAR and ELM T+2 (9.30am) for MTM

— Netting of Margins with settlement proceeds – In cases where margin is paid in cash, then such amount can be adjusted against the Settlement amount, i.e., only balance amount to be paid towards the settlement obligation on T+2
— Early pay-in – Institutional/ 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 effected, will not be subject to the margins prescribed above
— Category I and II (except corporate bodies, individuals, and family offices) FPIs are margined on a trade date +1 (T+1) basis in accordance with existing norms
— 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
— Margins for institutional trades are applicable on T+1 day post confirmation by custodian. The custodians are required to collect margin and report to CC post confirmation of trades on T+1. No margin is applicable for clients opting for early pay-in of funds/ securities
— In case of non-institutional custodian trades, the custodian is required to collect margins and report to CC, post confirmation of trades on Trade date itself
— Non-reporting of margin collection, short collection of margin from client or false reporting would be liable for disciplinary action/ penalty

— Peak Margins: Peak Margin is the highest margin applicable to client, beginning from trading until settlement of the trade of the client. CCs send minimum 4 snapshots of client wise margin requirement to Custodians for the intraday margin requirement per client in each segment. The client wise margin file contains the End of Day (EOD) margin and the peak margin requirements of the client, across each of the intra-day snapshots. The Custodian is required to report the margin collected from each client, as at EOD and peak margin collected during the day, in the following manner:
  - EOD margin obligation of the client shall be compared with the respective client margin available with the Custodians at EOD
  - Peak margin obligation of the client, across the snapshots, shall be compared with respective client peak margin available with the Custodian during the day
  - Higher of the shortfall in collection of the margin obligations as calculated above, shall be considered for levying of penalty

  In respect of sale of shares for which Early Pay-In is accepted by CC, the same is considered as margin collected towards peak margin for the said sale transaction. Custodians are not required to collect upfront/peak margins, in respect of positions for which early pay-in of securities/ cash is made by the clients

III. 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 a 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+2, and the buy-in settlement occurs on T+3 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+3 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.

IV. Settlement of Unlisted Securities

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.

10.3. Debt Securities

10.3.1. Government Securities (G-Sec), 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 Government securities, 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 accountholders also execute bilateral trades in the Government Securities. Reporting for such trades is done on the NDS-OM reporting module through the entities providing the CSGL service.

Deals on the exchanges are traded under:
— NSE - Negotiated Trade Reporting Platform (NTRP)
— BSE - Debt Market Segment or under the Retail Debt Market Segment

Accordingly, clearing and settlement of such trades is governed by the bye-laws, rules, regulations, and related circulars of these segments of the respective stock exchanges. The trading mechanism for trades in the Retail Debt Market (RDM) segment for both the NSE and the BSE is identical to the one used for equity transactions. Trades in government securities executed on Wholesale Debt Market (WDM) segment of NSE and BSE are routed through the CC of the exchanges.

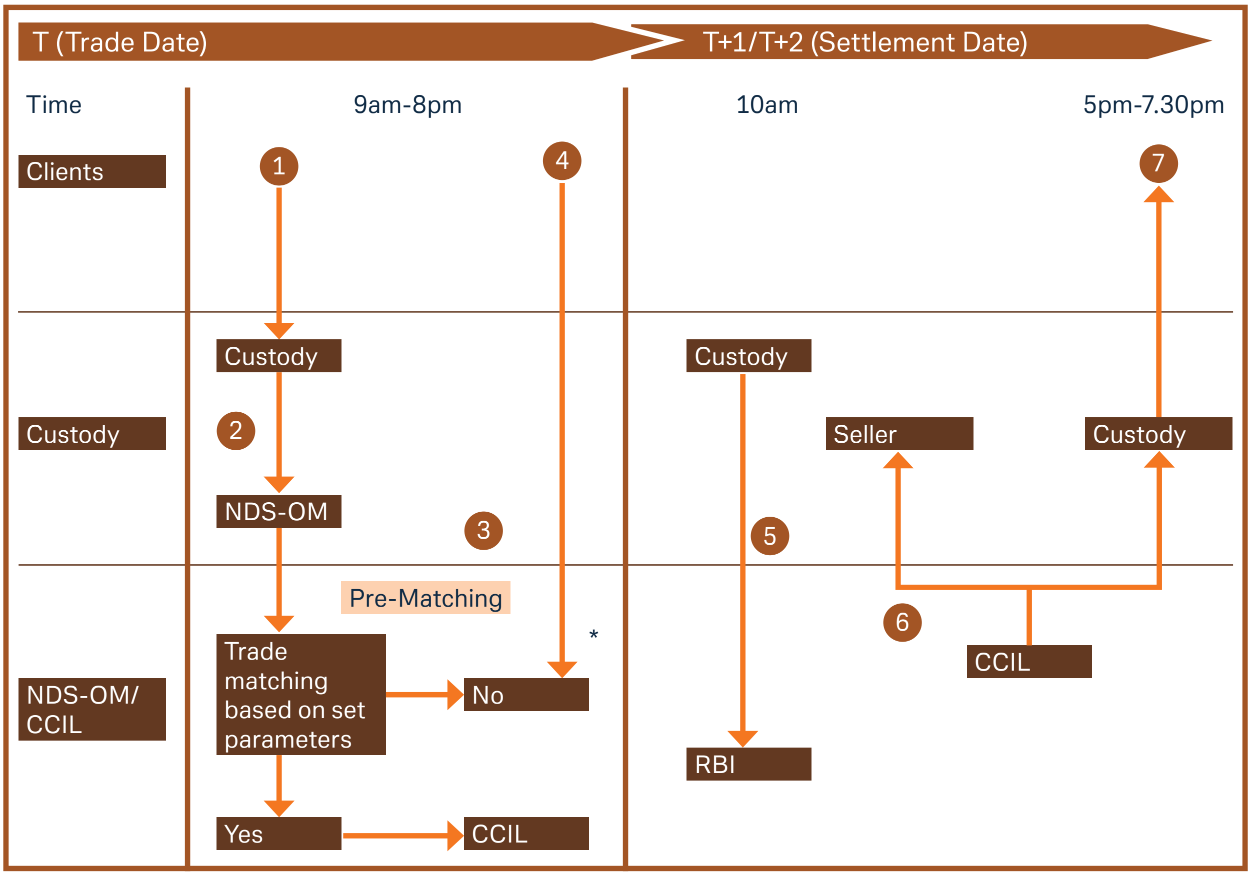
I. Government Securities to be held in Demat form

— RBI as Depository: All the RBI regulated entities have to hold and transact in Government securities only in dematerialised (SGL) form. The Public Debt Office (PDO) of the RBI, Mumbai acts as the registry and central depository for the Government Securities. The holders can maintain their securities in dematerialised form with RBI in either of the 2 ways:
  — SGL Account: RBI offers Subsidiary General Ledger Account (SGL) facility to direct members (predominantly Banks, Primary Dealers and large financial institutions) who can maintain their securities in SGL accounts held with the Public Debt Offices of the Reserve Bank of India
  — 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 Account (CSGL) with the RBI. Under this arrangement, the Bank or the Primary Dealer, acts as a custodian of the Gilt Account holders. They would maintain the holdings of constituents in a CSGL account (which is also known as SGL II account) with the RBI. The servicing of securities held in the Gilt Accounts is done electronically, facilitating hassle free trading and maintenance of the securities. Receipt of maturity proceeds and periodic interest is also faster as the 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 Gilt Account Holders (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 government securities 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 Government Securities (G-Secs) by FPIs can be settled on either T+1 or T+2 basis as mutually agreed between the counterparties. However, all such transactions should be reported on NDS-OM reporting platform on 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 government securities directly without availing the services of a broker.

Settlement Flow – G-Sec Purchase Transaction

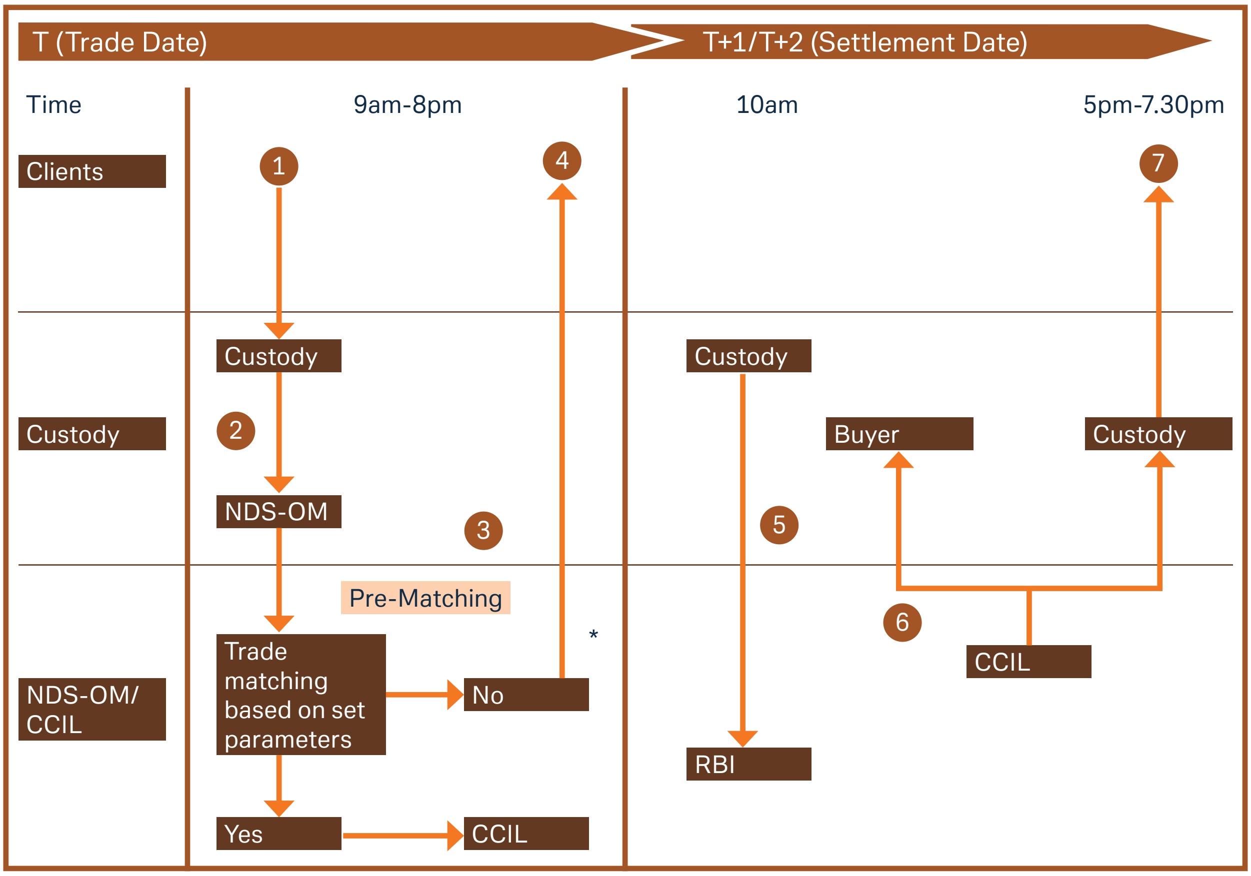


Legend:
NDS-OM – Negotiated Dealing System Order Matching Platform
CCIL – Clearing Corporation of India, responsible for settling trades on the NDS platform

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 3 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 by 10am on settlement date (T+1 or T+2)
6 CCIL transfers funds to the seller and securities to the buyers CSGL account held with 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-Sec Sale Transaction



Legend:
NDS-OM – Negotiated Dealing System Order Matching Platform
CCIL – Clearing Corporation of India, responsible for settling trades on the NDS platform

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 3 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 held with custodian
7 Credit client's cash account and send a settlement confirmation to the client

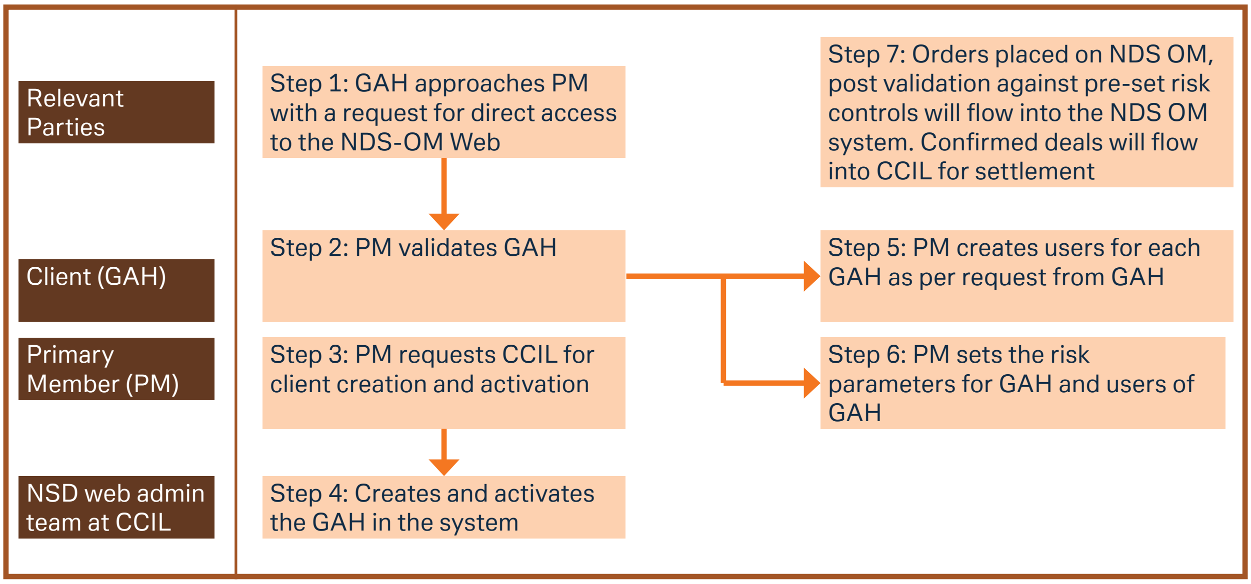
* Trades remain unmatched in the NDS-OM platform and are cancelled at the end of the day.

III. NDS-OM Web Module

To enhance the access of such 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 GAH to directly trade (buying and selling) in G-Sec 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 GAH, PM 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 PM for operational convenience. A detailed operation flow is given below:

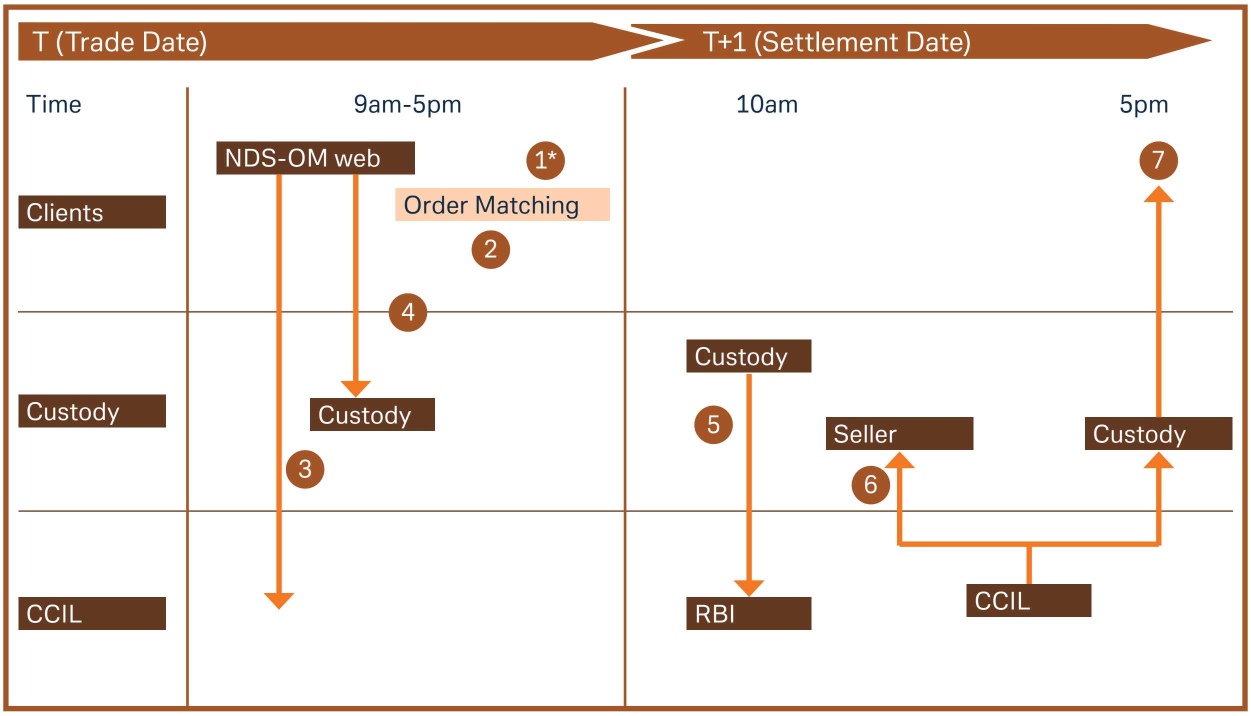
Steps in Granting NDS-OM web Access to the Client



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-Sec Purchase executed using NDS OM Web Module

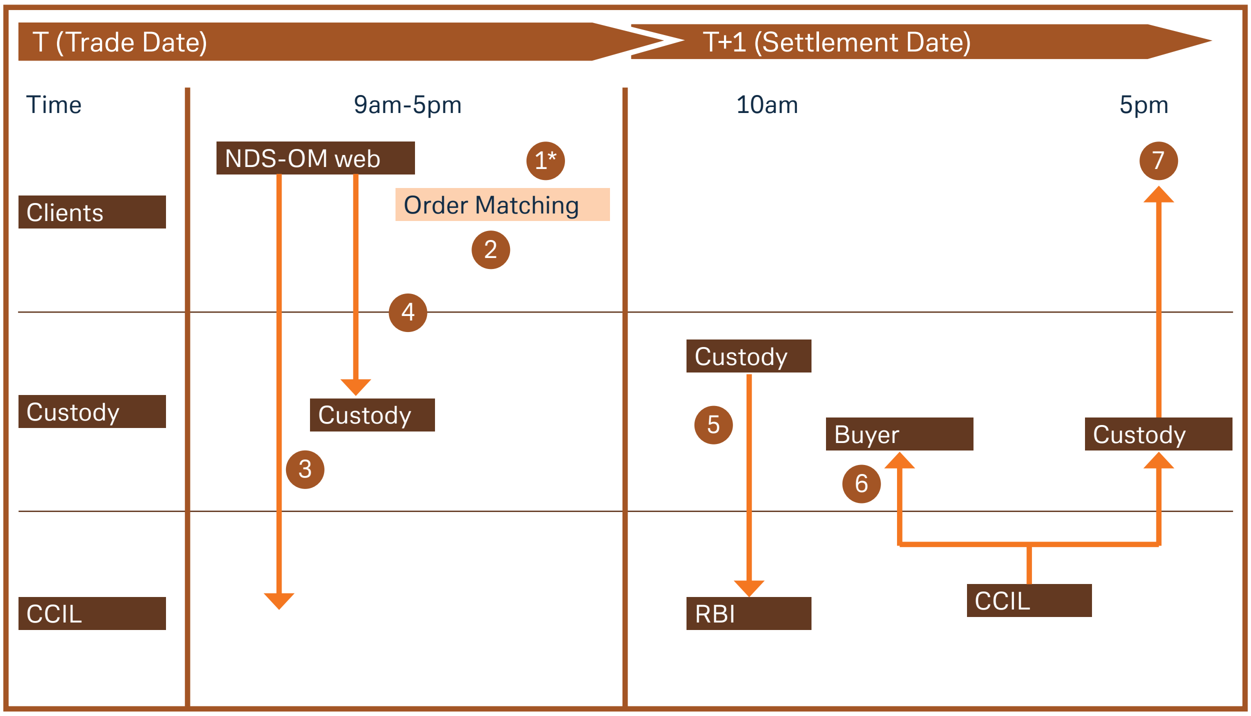


Legend:
NDS-OM – Negotiated Dealing System Order Matching Platform
CCIL – Clearing Corporation of India, responsible for settling trades on the NDS platform

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 In case of a Purchase transaction, debit settlement amount from the client's account and make payment to RBI by 10am
6 CCIL transfers securities/ funds to the buyer/ seller which are credited to the client's Cash/ CSGL account held with custodian
7 Settlement confirmation sent to the client

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

Settlement Flow – G-Sec Sale executed using NDS OM Web Module



Legend:
NDS-OM – Negotiated Dealing System Order Matching Platform
CCIL – Clearing Corporation of India, responsible for settling trades on the NDS platform

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 In case of a sale transaction, securities are debited from the client's account and delivered to RBI by 10am
6 CCIL transfers funds to the seller and securities to the buyers Gilt account
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

Web based interface that leverages on the gilt accounts already maintained with the custodian Banks/ PDs therefore provides an operationally efficient system

IV.Margins in G-Sec market

Risk Management Process for G-sec: 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 MTM Margin (both Intraday and EOD) 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. Mark to Market 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

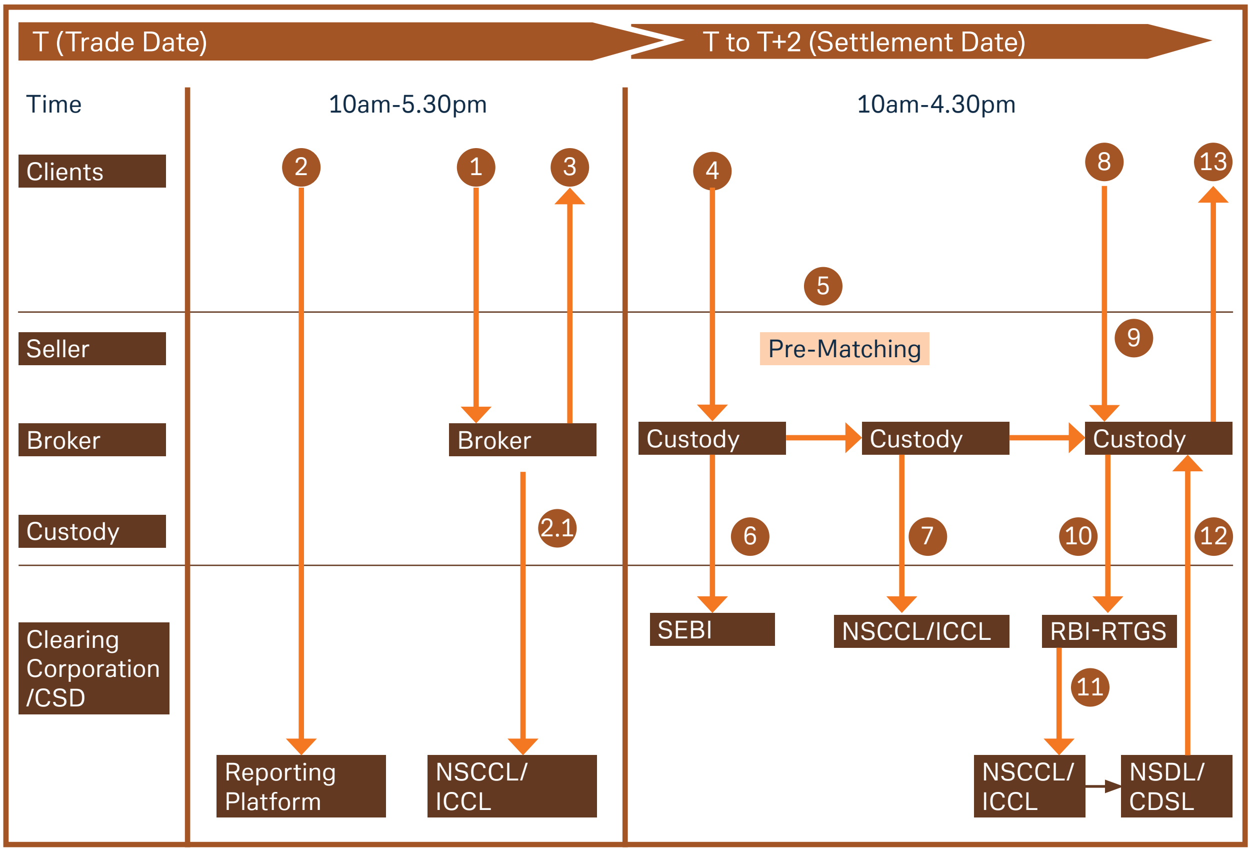
10.3.2.1. OTC Corporate Bond Trades

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 3 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 CBRICS (Corporate Bond Reporting and Integrated Clearing and Settlement platform).

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

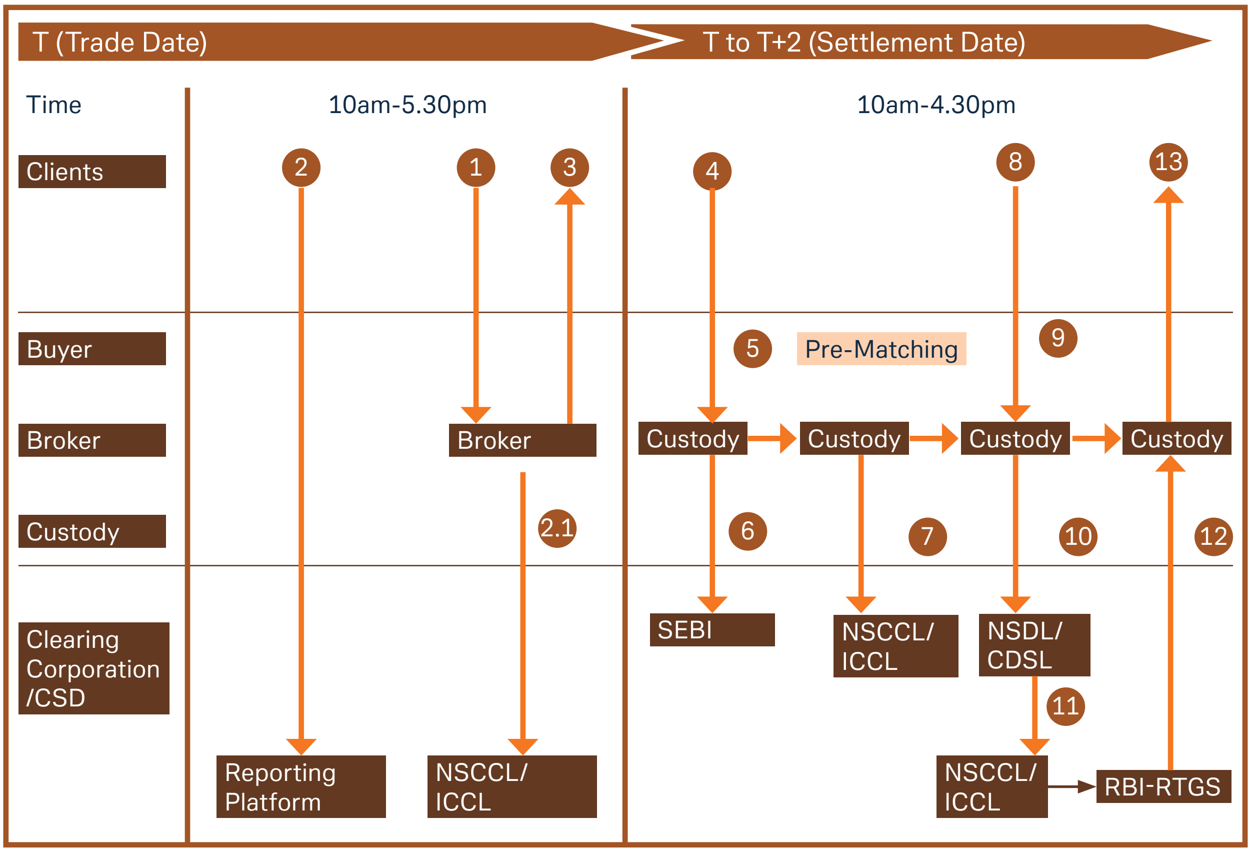
Settlement Flow – Purchase Trade Corporate Bonds



Legend:
NCL – NSE Clearing Limited
ICCL – Indian Clearing Corporation Limited

1 Trade instructions sent by client to the broker
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 Client to ensure the account is funded
9 Debit client's cash account
10 Pay-out of funds to the clearing corporations through RBI-RTGS
11 Settlement via the clearing corporations
12 Delivery of bonds and credit to the clients account through the Depository
13 Settlement confirmation sent to the client

Settlement Flow – Sale Trade Corporate Bonds



Legend:
NCL – NSE Clearing Limited
ICCL – Indian Clearing Corporation Limited

1 Trade instructions sent by client to the broker
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 Client to ensure there is adequate saleable stock
9 Debit client's security account for pay-in of securities
10 Pay-in of securities through Depositories
11 Settlement via the clearing corporations
12 Funds received via RBI-RTGS
13 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. Such trades, which are executed on the exchanges trading platform are governed under the risk management guidelines of CC including payments of relevant margins and guaranteed by the CCs.

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

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 counter-party to all deals on NSE's F&O segment and guarantees settlement and ICCL acts as legal counter-party 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 Futures and Options 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 on-line, 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, NCL marks all positions of a CM to the final settlement price and the resulting profit/ loss is settled in cash.

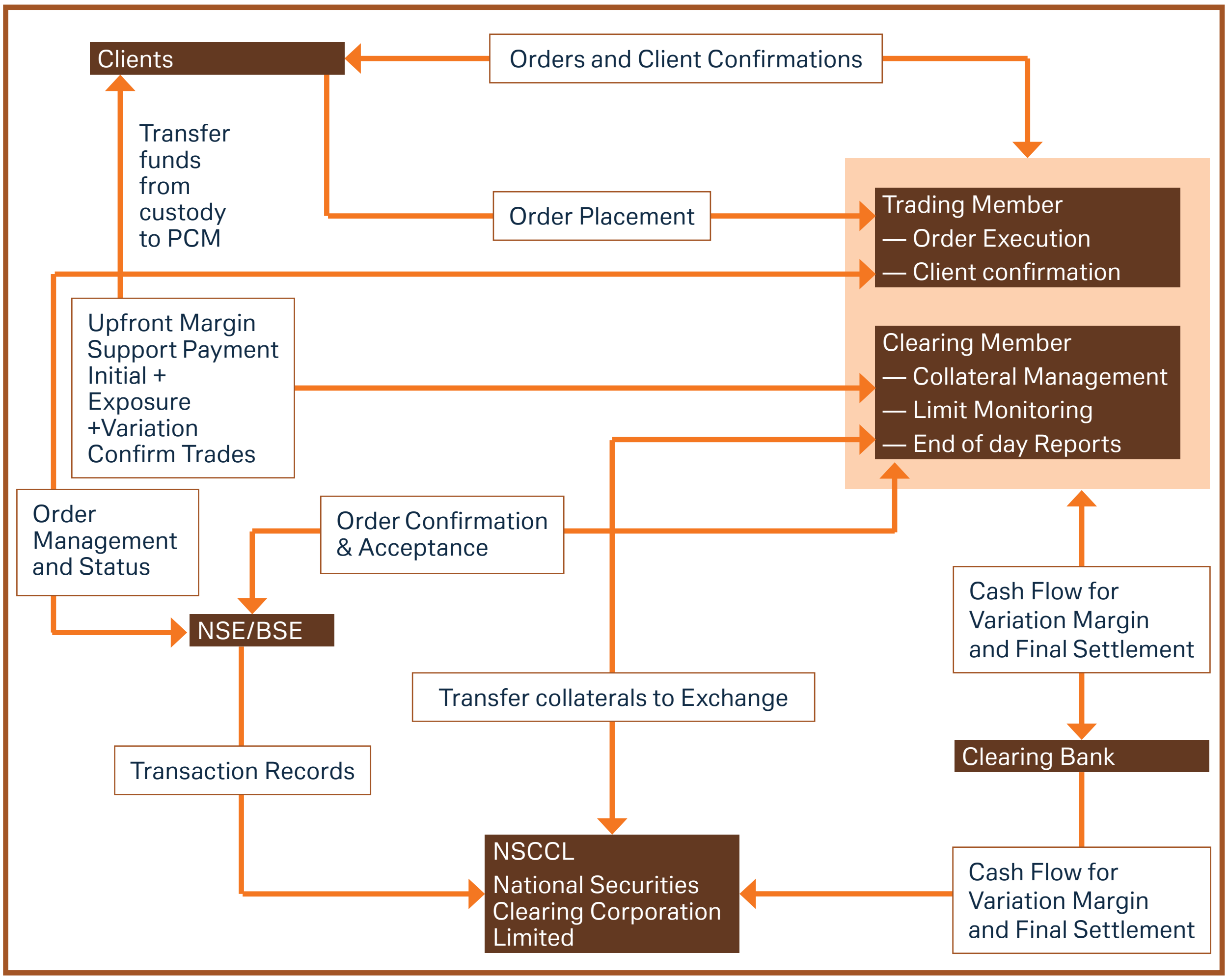
The final settlement profit/ loss is computed as the difference between trade price or the previous day's settlement price, as the case may be, and the final settlement price of the relevant futures contract. Final settlement loss/ profit amount is debited/ credited to the relevant CMs clearing bank 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 after netting the

obligations of all clients/ constituent/ 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+2 days

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 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 closeout 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 funds 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 margins) shall be applicable and levied as delivery margins.

- VAR and Extreme Loss Margins: The VAR and Extreme Loss percentage as computed in the Cash equity segment shall be applied on client level settlement obligations
- MTM margins: End of day mark to market 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. Mark to market loss in one security shall be netted against profit of other security for same client
- Clearing/ trading member are required to collect delivery margin and report the same through the existing client margin reporting mechanism

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, NCL 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 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 clearing corporation marks all positions of a clearing member 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 the 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 Securities Lending and Borrowing

Custodians are permitted to register with CCs to offer SLB product.

Transactions under SLB segment are identified based on different settlement types as intimated by CC for the first leg and reverse leg settlements. All obligations are on a gross basis i.e., there is no netting of transactions. Obligations for the first leg are available on Trade (T) date and obligations for the reverse leg are notified on T+1 day. Transactions are settled on a T+1 day basis for the First Leg, Recall request and early repayment for all eligible series on gross basis. Transactions are settled on reverse leg settlement date of the respective series.

Early recall and repayment transactions will be identified by separate settlement types in the obligation file

Lender's Obligation: The lenders obligation is the securities lent on T Day (Transaction date). The lender is required to deliver the securities by the scheduled time on T+1 day. The lender can also do an early pay-in of securities to avoid payment of margins.

Borrower's Obligation: Borrower's obligation is the lending fees in cash form and the lending price (T-1 day closing price in the underlying security) in cash collaterals payable on T+1 day.

Early Recall Obligation: In case of early recall, the lenders obligation is the lending fee which is transacted for the early recall transaction and is payable on T+1 day

Early Repayment Obligation: The securities transferred by the borrower shall be automatically utilised toward the respective pay-in.

I. Process of return of securities

The borrowing Participants are required to return the securities borrowed on reverse leg settlement date of the respective series. The securities are returned to the lender of the securities by CC on respective reverse leg settlement date of the series. In the case of borrower failing to return securities, CC conducts an auction for obtaining securities. In the event of failure to procure securities in auction the transactions are financially closed-out on the basis of the close-out computation formula.

II. Shortages and Close out

In the event of funds shortage by the borrower, the SLB transactions are cancelled and the securities returned to the lenders along with lending fees.

In the event the lender fails to deliver securities, the transaction is closed out as per the below procedure.

Higher of:

- 25% of closing price of the security on T+1 day, or
- (Maximum trade price of the security from T to T+1 day) - (T+1 day closing price of the security)

In the event the borrower fails to return the securities CC conducts a buy-in auction

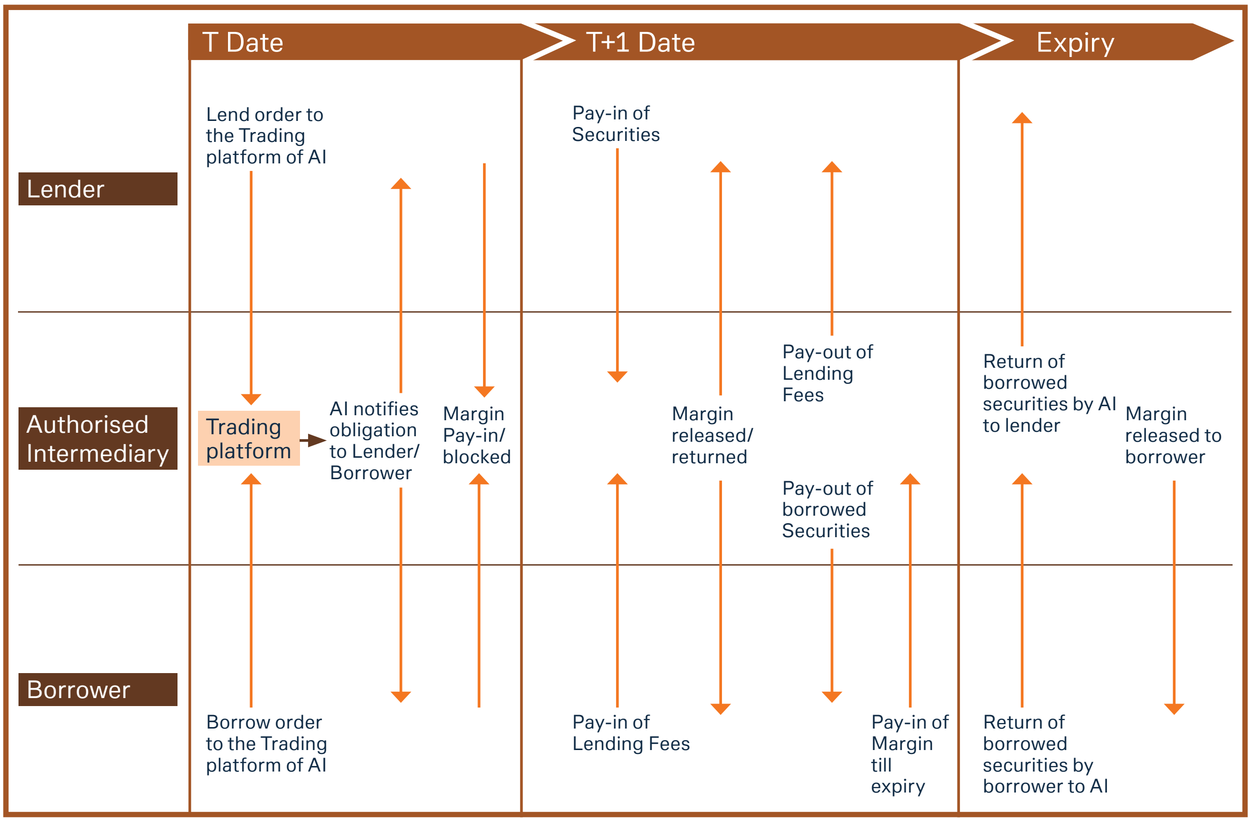
In the event of no offer in buy in auction/ failure to give delivery for offer in auction market on the settlement date, the transaction is closed out as per the below procedure.

Higher of:

- The maximum traded from (reverse leg settlement date – 1 day) to reverse leg settlement date, or
- 25% above the closing price of the security on the reverse leg settlement date

In all cases of shortages, CC may initiate various actions including withdrawal of access to the order matching platform, withhold of the securities/funds pay-out due to the Participant or any other action as may be intimated by CC

III. Operational Flow



IV. Treatment of Corporate Actions during the Contract Tenure

- Corporate Actions like Dividend, Stock split is adjusted to ensure the lender gets the benefit
- In case of dividend, the amount is collected from the borrower on record date +1 and paid to lender
- In case of stock split, the position of the borrower is proportionately adjusted and the lender will receive the revised quantity on the reverse leg settlement date
- Corporate actions such as bonus/ merger/ amalgamation/ open offer, etc: The contracts would be foreclosed on the ex-date
- The lenders are required to repay proportionate amount of lending fees received from borrowers
- The lending fee will be brought by the lender on the foreclosure settlement date and will be passed on to the borrower
- Annual General Meeting (AGM)/ Extra-ordinary General Meeting (EGM): The AIs shall provide the following option to the market participants:
- Contracts which shall continue to be mandatorily foreclosed
- Contracts which shall not be foreclosed in the event of AGM/ EGM

The shut period end date for all corporate actions shall be book closure start date or record date of the corporate action. During shut period no transactions, including rollover, are allowed in the security.

V. Margin

Transaction Type	Obligation	Payable By	Mode	Payment on	Released on
Borrow Transaction	— Lending fee	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 Transaction – Reverse Leg	— VaR Margins — ELM Margins — MTM 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 Transaction	— MTM Margins — 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

10.6 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, on-line position monitoring and automatic disablement, etc. They also administer an efficient market surveillance system to curb excessive volatility, detect and prevent price manipulations.

10.6.1 Margin

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 margin comprises of:

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

10.6.2 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.

10.6.3 Core Settlement Guarantee Fund (CSGF)

SEBI has prescribed norms for Core Settlement Guarantee Fund (Core SGF), 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 Core SGF 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.

These norms are aimed at achieving mainly the following objectives:

- Create a core fund (called core settlement guarantee fund), within the SGF, against which no exposure is given and which is readily and unconditionally available to meet settlement obligations of CC in case of CMs failing to honour settlement obligation,
- Align stress testing practices of CCs with Financial Market Infrastructure principles (FMI) (norms for stress testing for credit risk, liquidity risk and reverse stress testing including frequency and scenarios)
- Capture in stress testing, the risk due to possible default in institutional trades
- Harmonise default waterfalls across CCs
  - Limit the liability of non-defaulting members in view of the Basel capital adequacy requirements for exposure towards Central Counterparties (CCPs),
  - Ring-fence each segment of clearing corporation from defaults in other segments, and
  - Bring in uniformity in the stress testing and the risk management practices of different clearing corporations especially with regard to the default of members

10.6.4 Collateral Deposits

Participants may deposit collaterals in the form of cash equivalents i.e., cash, fixed deposit receipts and bank guarantee, Government Securities and Foreign Securities. The collateral deposited by the participant is utilised towards margin requirement of the participant

10.6.5 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 the below attached link:
www.bseindia.com
www.nseindia.com

10.7 Legal Entity Identifier Code

The LEI code has been conceived as 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 Ltd. (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 markets
— Money markets (markets for any instrument with a maturity of 1 year or less)
— Non-derivative forex markets (transactions that settle on or before the spot date)

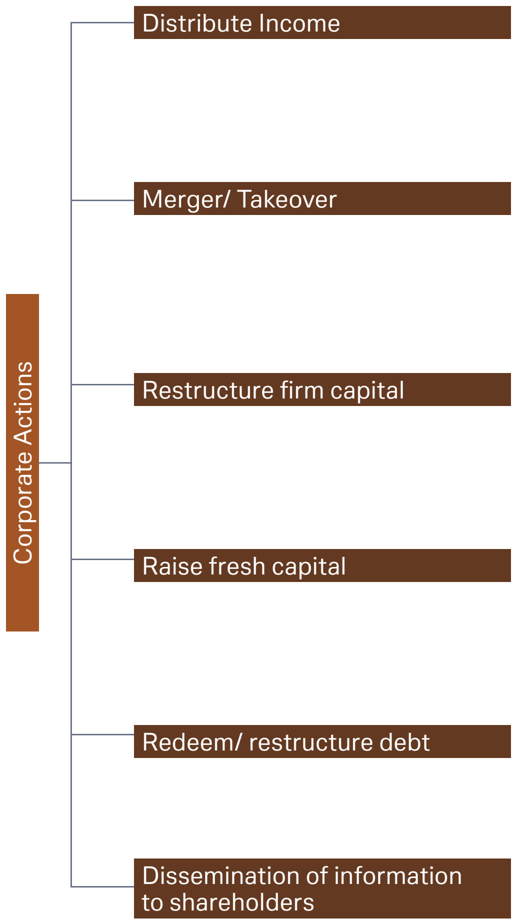
Further RBI has mandated use of LEI for all payment transactions of value INR 500 million and above, undertaken by entities (non-individuals) using RBI run Centralised Payment Systems (Real Time Gross Settlement (RTGS) and National Electronic Fund Transfer (NEFT)) from April 01, 2021.

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 – leading to Announced events 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 action 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

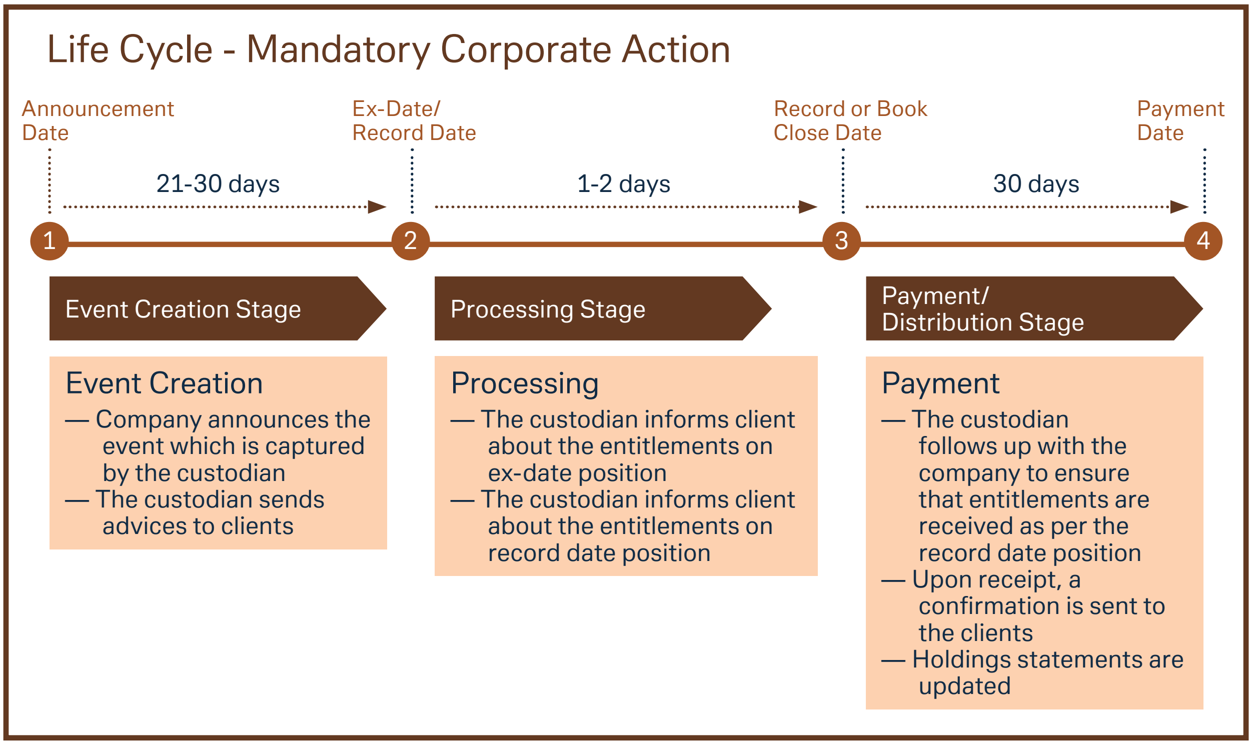
Corporate Action Highlights	
Peak period	April to September
Key Events	Dividends, Stock Splits, Takeovers, Conversions, Redemptions, Right Issues, Buybacks, Tender Offers, Bonus Issues
Entitlement Date	Record Date
Entitlement Computation	On Record Date
Pay Date	There is a concept of pay date but it is 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 7 working days (excluding the date of intimation), 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 declaration 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 from the time when an announcement is made of a proposed or possible offer (with or without terms) until the closing date

11.2. Life Cycle - Mandatory Corporate Action:

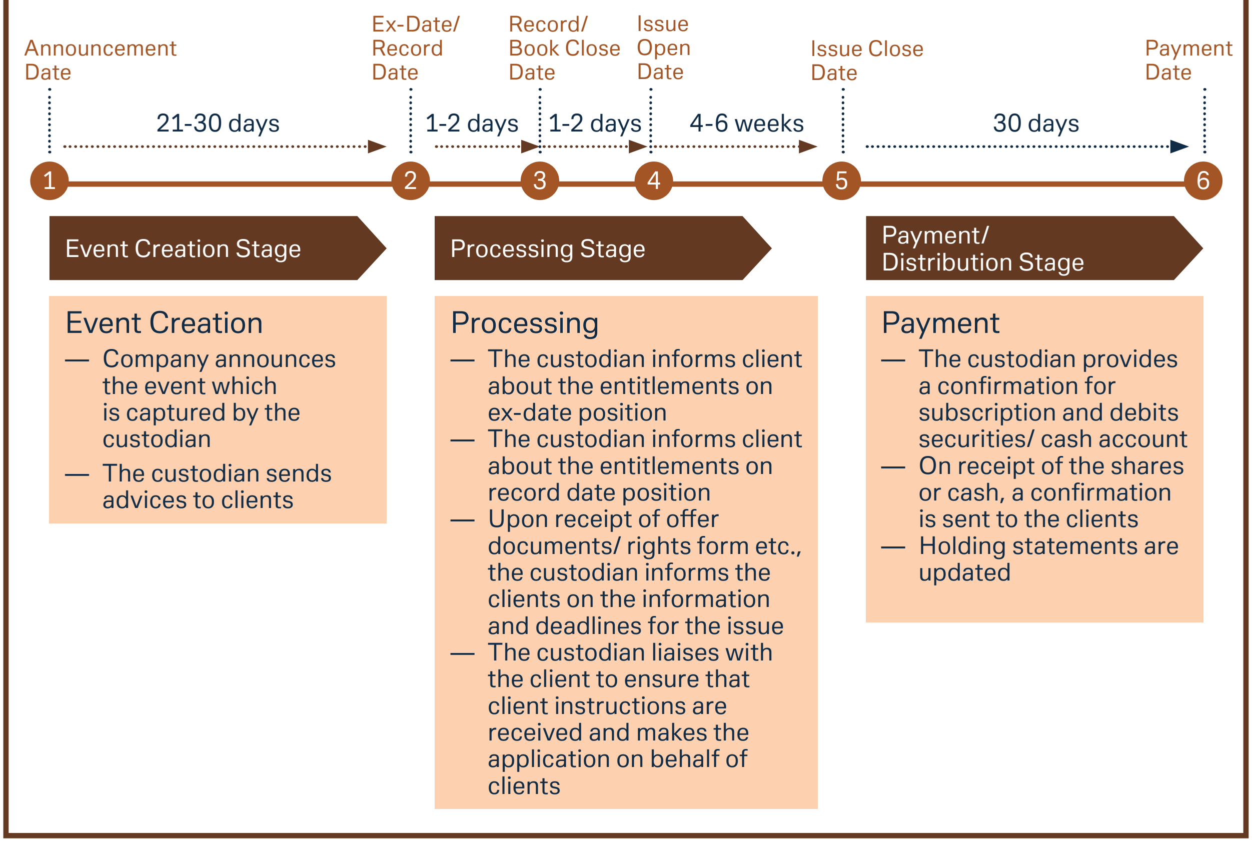
Mandatory corporate action events are listed herewith:
— Merger/ Demerger/ Takeover
— Stock Split/ Sub-Division/ Consolidation
— Bonus Issue
— Dividend
— Interest
— Redemption/ Partial Redemptions



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

Life Cycle - Voluntary Corporate Action events



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 2

working days before the meeting date (96 hours or 4 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 1000 shareholders to provide the facility of voting at general meetings by electronic means.

The key features of e-Voting
— The e-Voting period will be open for 3 days and close at least 1 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 polling at the meeting for the given client
— Members/ shareholders 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 3 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 electronic 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 2 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., dividends and interest payments received
- 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 the 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 sums from the foreign currency accounts to the rupee accounts, at market rates of exchange
- 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 derivative contracts with rupee as one of the currencies
- Participation in the Currency Derivative segment of the 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 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/ re-booking 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 Exchange

i. Position Limits

Instrument Type	All Category I (Including Long Term)	Category II FPIs that are Individuals, Corporates and Family Offices	Category II FPI (Other than - Individuals, family offices and corporate bodies)
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
JPY-INR	Gross open position across all contracts shall not exceed, higher of — 15% of the total open interest, or — JPY 2000 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 2000 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 exchange
- 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

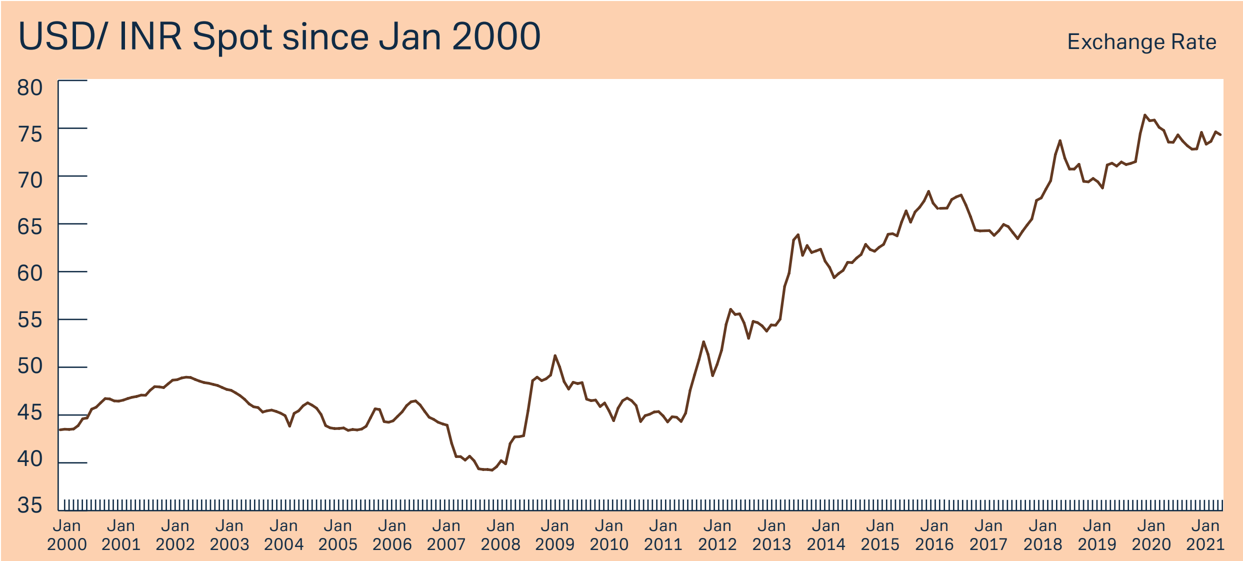
12.3. Responsibilities of FPI

- 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 the SEBI and action as may be taken by RBI, under the FEMA

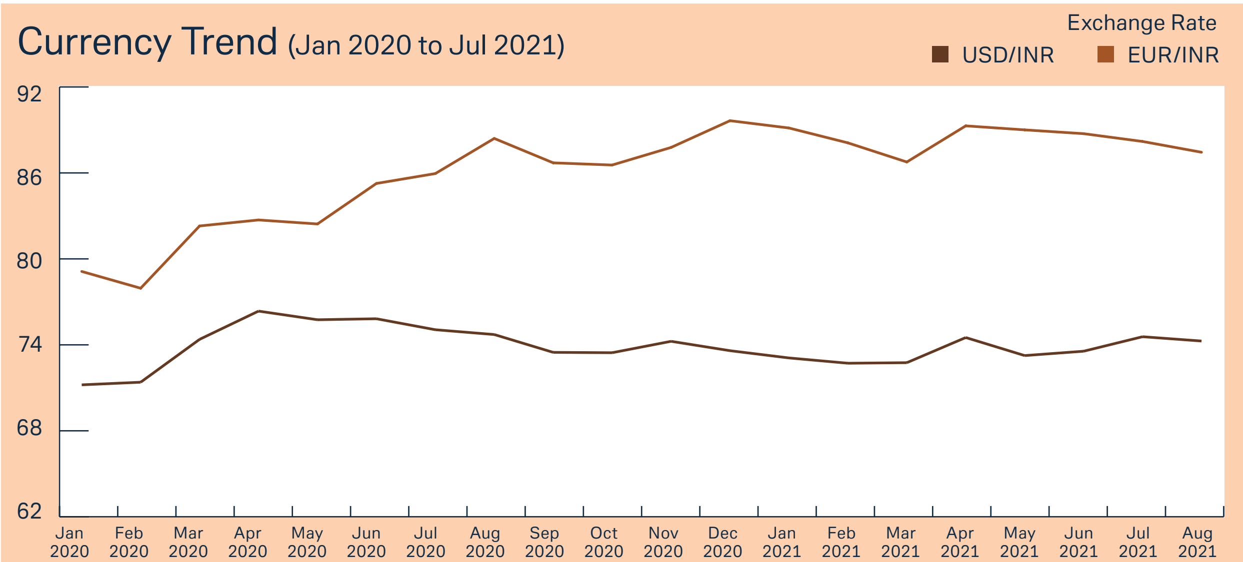
12.4. Monitoring of position

- The exchange/ 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 monitor the total position and notify 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 of the FPI, of the highest intraday position taken by the FPI, through end of day report

The graphs below reflects the USD/ INR Spot Trend and the Currency Trend since January 2000



Source: RBI, FBIL



Source: FBIL

13 Tax Aspects

13.1. Tax Regime in India for FPIs

The Department of Revenue under the Ministry of Finance is the nodal agency responsible for revenue collection, both direct and indirect taxes, of the Central Government. 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 have to pay the applicable taxes or set aside the necessary funds to meet the tax liabilities before conversion to foreign currency/ remittance. The taxes can also be paid as an advance tax as per the schedule provided by Income Tax, 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 on any queries or enquiries. Foreign Investors are required to obtain 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 (STT)

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 the Double Tax Treaty provisions between India and the domicile country of the FPI, whichever is less
- WHT of 20% is applicable for interest income
- In case of FPIs, under section 194LD of Income Tax Act, a concessional tax rate of 5% is applicable on interest income on rupee denominated corporate bonds or Government securities. This concessional rate is valid until June 30, 2023
- This benefit of lower WHT is also extended to INR denominated (Masala) Bonds issued outside India and Municipal Bonds

II. Taxation of Dividend:
Dividends are taxable in hands of 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 shares held for less than 12 months, is regarded as short-term capital gain
— Income earned on shares 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 shares 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 equity-oriented mutual fund units.

Securities Transaction Tax for the F.Y. 2021-22

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 option in securities	0.05%	Seller
Sale of an option in securities, where option is exercised	0.125%	Purchaser
Sale of futures in securities	0.01%	Seller
Sale of unit of an equity-oriented fund to the mutual fund	0.001%	Seller
Derivative contracts which are subject to physical settlement	0.1%	Purchaser/ Seller

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.

Tax Rates Applicable to FPIs Investing in India

Assessment Year: 2022-2023
Previous Year: April 01, 2021 till March 31, 2022 (including surcharge and cess as applicable)

Tax Rates for Corporate FPIs

Nature of income	Corporate FPIs		
	Net taxable income does not exceed INR 10 million	Net taxable income exceeds INR 10 million but does not exceed INR 100 million	Net taxable income exceeds INR 100 million
Dividends	20.8%	21.216%	21.84%
Interest u/s 194 LD*	5.2%	5.304%	5.46%
Interest other than u/s 194 LD*	20.8%	21.216%	21.84%
Capital Gains on Equity Shares and Equity-oriented MFs where STT is applied			
Short-term capital gains	15.60%	15.912%	16.38%
Long-term capital gains (Ref Note 2)	10.4%	10.608%	10.92%
Capital Gains on Securities where STT is NOT applied			
Short-term capital gains	31.2%	31.824%	32.76%
Long-term capital gains	10.4%	10.608	10.92%

Nature of income	Non-Corporate FPIs, e.g., trust				
	Net taxable income does not exceed INR 5 million	Net taxable income exceeds INR 5 million but does not exceed INR 10 million	Net taxable income exceeds INR 10 million but does not exceed INR 20 million	Net taxable income exceeds INR 20 million but does not exceed INR 50 million	Net taxable income exceeds INR 50 million
Dividends	20.8%	22.88%	23.92%	23.92%	23.92%
Interest u/s 194 LD*	5.2%	5.72%	5.98%	6.5%	7.124%
Interest other than u/s 194 LD*	20.8%	22.88%	23.92%	26.00%	28.496%
Capital Gains on Equity shares and Equity-oriented MFs where STT is applied					
Short-term capital gains	15.60%	17.16%	17.94%	17.94%	17.94%
Long-term capital gains (Ref Note 2)	10.40%	11.44%	11.96%	11.96%	11.96%
Capital Gains on Securities where STT is not applied					
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%

*Section 194 LD of Income Tax Act, 1961
The above rates are inclusive of surcharge and education cess, wherever applicable.

Note 1: 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.

Note 2: Exemption of tax on Long Term Capital Gains (LTCG) arising from transfer of shares is available, if:
— LTCG from transfer of equity shares does not exceed INR 100,000 in a year, and
— STT was paid at the time of acquisition and transfer of those shares
Tax is payable on LTCG above INR 100,000 without indexation.

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 such 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 dates	Advance tax payable by corporate and non-corporate entities
By June 15	15% of advance tax
By September 15	45% of advance tax
By December 15	75% of advance tax
By March 15	100% of 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 position; 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 @ 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 @ 1% per month (or part of the month) will be charged on the difference of the tax payable and the advance tax and tax deducted at source; 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 (incl. 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.

DTAA entered into, by Government of India can be accessed at
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, fees on technical services earned by foreign companies will be exempt from MAT, if the foreign company is Resident of a treaty country and do 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 (GAAR) will apply prospectively to transfer of investments made on or after 01.04.2017, or on any tax benefits availed on or after 01.04.2017, irrespective of date of arrangement, when GAAR is 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 to be depositories for this purpose to act as 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 forward leg)
Tri-party Repo on Corporate Bonds	Debt Market	0.00001%*	Buyer
Issue of debenture	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 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
- There will be no stamp duty levied on Government Securities 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 the clearing corporation

Stamp Duty on Off-Market Transactions

Type of Security	Stamp Duty Rate	Payable By
Transfer of Debenture	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
- 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 on 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, USA 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 US residents and citizens. USA has entered into an Inter-Governmental Agreement (IGA) with various countries including India. The IGA between India and USA was signed on 9th July, 2015. It provides that the Indian Financial Institutions will provide necessary information to the Indian tax authorities, which will then be transmitted to USA 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 working together developed a CRS on Automatic Exchange of Information (AEOI). The CRS on AEOI requires the financial institutions 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 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 to carry out due diligence, including Self-Certification for FPIs before granting SEBI FPI registration.

13.7. Goods and Services Tax (GST)

GST regime came into effect from July 01, 2017 onwards, replacing the Excise Duty, Service Tax and Sales Tax, among various other indirect taxes. The 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 and can be accessed using the below link:
http://pib.nic.in/newsite/PrintRelease.aspx?relid=148240

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 on-shoring 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 Central Government. The list of such countries/ territories, whose resident funds would be able to qualify as EIF can be accessed using the below link:
https://www.egazette.nic.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 to, 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 law 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

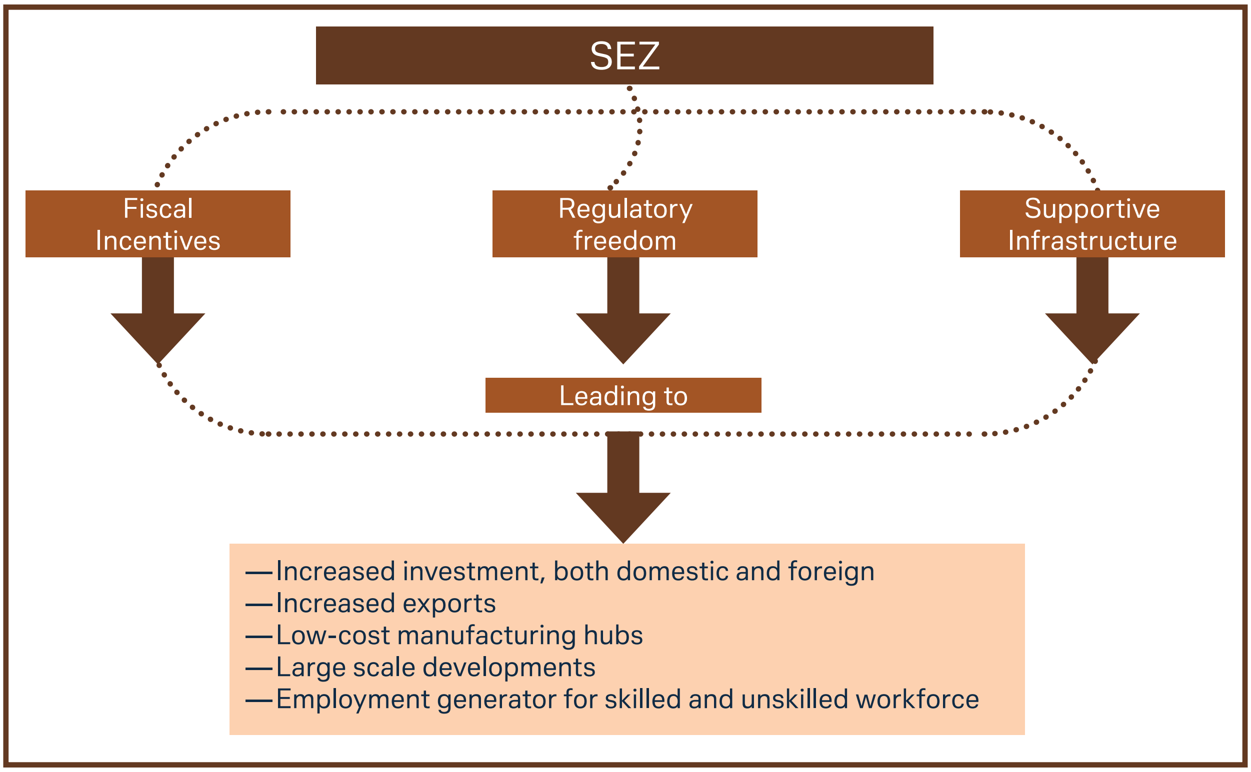
Category I FPIs (under SEBI (FPI) Regulations 2019) are exempt from indirect transfer provisions. Indirect transfer provision shall not apply in case of redemption of shares or interests outside India as a result of or arising out of redemption or sale of investment in India which is chargeable to tax 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 globally benchmarked financial centres. The purpose of setting up the GIFT City is to develop a world class smart city that becomes a global financial hub with the development of an IFSC. GIFT City is central business hub with state-of-the-art infrastructure and a first of its kind development in India.

Business Structure at IFSC



Source: www.giftgujarat.in

14.2. GIFT's Positioning

GIFT aspires to cater to India's large financial services potential by offering global firms a world-class infrastructure and facilities. It 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 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 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 on Indian soil.

14.4. Benefits of setting up operations in GIFT-IFSC

The IFSC in GIFT 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, 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 governed primarily 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 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 as well as 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:
— International Financial Services Centres Authority (Banking) Regulations, 2020
— International Financial Services Centres Authority (Market Infrastructure Institutions) Regulations, 2021
— IFSCA (Bullion Exchange) (Amendment) Regulations, 2020

Regulations and guidelines issued by SEBI, RBI, IRDAI for IFSC, which have not been repealed/ superseded by IFSCA vide new regulations, continue to be operational in IFSC

14.7. Who Can Open Units in GIFT IFSC

Entities permitted to open an IFSC unit:

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 — The entity needs to seek registration from IRDAI as International Financial Service Centre Insurance Office (IIO), a branch office of applicant, to transact in direct insurance or re-insurance business — IIO may be permitted to transact direct Life insurance business or Direct General insurance business but not both or Reinsurance Business. However, the IIO may be allowed to transact health insurance business as provided under extant Health Insurance Regulations notified by IRDAI
Capital Market	— Stock Exchanges/ Commodity Exchanges — Clearing Corporation — Depository — Stockbrokers, Trading member — Investment Adviser — Portfolio Manager, AIF, Mutual Fund-Eligible Foreign Investors

Foreign Investors	Eligible Foreign Investors (EFI) and FPIs are permitted to operate in IFSC:
	— 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)
— Security Transaction Tax (STT) - NIL
— Commodity Transaction Tax (STT) - 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)

— Bond or Global Depository Receipt, Rupee Denominated Bond of Indian Company, Derivatives have been exempted from capital gains tax

14.8.1. Exempted Transaction

Transfer by a non-resident on a recognised stock exchange in IFSC of the securities mentioned below has been exempted from Capital Gains Tax, provided the consideration is in foreign currency.

— Bond or Global Depository Receipt
— INR denominated bond of an Indian company
— Derivative
— Foreign currency denominated bond
— Unit of a Mutual Fund
— Unit of a business trust
— Foreign currency denominated equity shares of a company
— Unit of Alternative Investment Fund (AIF)

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 INX

BSE established India's first International Exchange at the IFSC GIFT city Gandhinagar called India International Exchange INX (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 is a fully-owned subsidiary company of National Stock Exchange of India, a stock exchange launched as a global trading platform in the IFSC in Gujarat International Finance Tech (GIFT) city.

NSE IFSC commenced trading activities on June 5, 2017.

14.10.3. International Bullion Exchange

The International Bullion Exchange was soft launched at IFSC GIFT city on August 18, 2021 with the go live date as October 01, 2021. This exchange will be the Gateway for Bullion Imports into India. This exchange is established by the holding company India International Bullion Holding IFSC Ltd. (IIBH), which was formed by memorandum of understanding between NSE, MCX, India INX, NSDL, and CDSL. CDSL IFSC has been designated as the Bullion Depository.

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, FINNIFTY 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 Metal
  - 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 is through their Clearing Corporations (CCs), namely INDIA ICC and NSE IFSC Clearing Corporation Limited (NICCL), respectively.

The clearing and settlement is done on a multilateral netting basis as per the settlement obligations of the respective Clearing Members (CMs). CMs shall be responsible for all obligations, inter alia, including the payment of margins, penalties, any other levies and settlement of obligations 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 are 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 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 Provider	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 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 Stock exchange/ Clearing Corporation in IFSC
Margining	— Margins would be computed at the end-client level of Provider — Margins would be grossed up at and collected from Provider
Monitoring of Position Limits	Position limits would be monitored at end-client level by stock exchanges/ clearing corporations.
Obligations of stock exchange	— 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 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. Important Links

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

India's long-term macro outlook post COVID-19

Kaushik Das, India Chief Economist, Deutsche Bank

The COVID-19 pandemic is truly a once-in-a-century global crisis—a black-swan event—which is likely to have a lasting impact on lives and livelihoods for years to come. The unprecedented health crisis has led to devastating economic consequences around the world and has resulted in a significant increase in global poverty and inequality levels. According to World Bank's estimate[1], COVID-19 induced new poor are likely to have risen between 119-124 million in 2020, and are expected to increase further to 143-163 million in 2021. Countries across the world have responded by providing significant amount of fiscal and monetary stimulus to support growth/ livelihood and vaccinating their citizens as much as possible within the shortest possible time period. The fact that many countries are still seeing resurgence of third and fourth wave of COVID-19, despite having vaccinated a large part of the population adds to increased uncertainty for the future and leading to talks of probable need for booster doses in the near future.

The Indian economy has proved to be resilient despite the severity of the COVID-19 impact

As far as the Indian economy is concerned, a strict nationwide lockdown from March 2020 helped to cushion the health damage from the first wave of COVID-19 to the extent possible, but this resulted in real GDP growth contracting by a record 7.3% YoY and general government budget deficit rising to 13.7% of GDP in FY21. India experienced a severe bout of second COVID-19 wave in April-June'21, but the economic impact was lesser than what was feared, with the economy still managing to record an impressive 20.1% YoY growth during the quarter, albeit on an extremely favourable base of last year (real GDP growth had contracted 24.4% YoY in April-June'20). Indeed, expectations in May'21, during the height of the COVID-19 wave, was significantly dire than what the original growth outturn turned out to be. True, that the GDP data is unlikely to capture the adverse impact on the informal economy completely and there are definitely going to be hidden scars which will persist, but overall, the economic damage has clearly been lesser than what was anticipated. The nature of lockdown, early proactive support measures from RBI (announced on 5th May 2021 and since 2020) and learning experience of one year since the beginning of the COVID-19 pandemic in March 20 - all played a vital role in cushioning the degree of the adverse impact more effectively.

1 World Bank: Updated estimates of the impact of COVID-19 on global poverty: Looking back at 2020 and the outlook for 2021 (Jan 2021), last accessed on September 24, 2021

In the near-term, which is shrouded by tremendous uncertainty, we expect India to record at least 9.5% YoY real GDP growth in FY22, assuming that a potential third wave, whenever it arrives, will be shallow with limited economic impact. But what about the long-term? How will the Indian economy look, say 10 years from now? What are the positives as well as the challenges that we need to focus on? Below, we discuss all this and more. We are aware of the shortcomings of long-term projections based on linear straight-line estimates, as there could be several black-swan events within a decade, which are impossible to forecast. However, in order to tackle this issue and still provide some reference point, we have been conservative with our macro forecasts, particularly related to growth estimates to take into account possibility of low growth in certain years within the forecasting horizon.

India is undergoing a structural transformation

In our view, India remains in the midst of several structural changes which are likely to transform the economy significantly over the next decade and beyond. Despite an uncertain global environment and various geopolitical risks, India's medium-term outlook remains constructive, due to its demography, aspirational middle-class population, reforms push for increased formalisation/ digitisation and scope for substantial investment in physical and human capital.

India likely to become a USD 6.5 trillion economy by 2030

The COVID-19 pandemic has pushed back India's plan of becoming a USD 5 trillion economy by FY25 at least by two years. Our current estimates suggest, that in the post COVID-19 world, the size of the Indian economy will likely increase 2 ½ times to USD 6.5 trillion by 2030, from about USD 2.6 trillion in 2020, which in a growth-starved world, will still be an amazing feat. Nominal GDP growth is likely to average 11.0-11.5% YoY through the next decade vs. 13% YoY average recorded in the previous ten years, primarily due to a significant reduction in the inflation level (notwithstanding the recent spike due to COVID-19), thanks to RBI's flexible inflation-targeting framework.

We have factored in 6.0% real GDP growth on an average for the forecast horizon, with 5.0-5.5% average inflation. Of course, real GDP growth will be above 6.0% YoY in some years and lower in certain years, but on an average, we think 6.0% is a realistic estimate over a 10-year horizon. Average real GDP growth between 2010 to 2020 was 5.9% YoY, but if we exclude 2020, which saw a 7% contraction, average real GDP growth was 7.1% YoY between 2010-2019. Even if India manages to achieve a 6% average real GDP growth rate over a 10-year horizon, in line with the reduced potential growth rate post Covid-19, this should still be sufficient for the Indian economy to achieve a significant increase in scale, and the added benefits that come along with it, in our view. Also, nominal GDP growth is what matters for corporate sector profitability and debt sustainability; a 10%+ nominal GDP growth which is likely for India, even under a conservative scenario, will give it a comfortable edge over most other comparable emerging market countries, helping maintain the country's image as an attractive investment destination over the medium-to long-term.

India's per capita income to double by 2030 to more than USD4,000

India's per capita income is expected to double to USD4,300 by 2030, which in real per capita income terms will constitute close to 4.5% average annual growth through the next decade. It is an empirically proven fact that economies which have a significantly higher informal sector employment, like in India's case, typically tend to have a lower per capita income and vice versa. Given this correlation, policies which are aimed toward a greater formalisation of the economy are bound to lead to an acceleration in per capita income level.

In India's case, a landmark indirect tax reform in the form of Goods and Services Tax (GST) and demonetisation are likely to play a major role in formalisation of the economy, a process which is already underway. Demonetisation, apart from reducing tax avoidance, has also resulted in incentivising faster pace of digitisation, a dynamic which will gain further momentum in the next decade. Similarly, GST by the very nature of its design will incentivise a faster pace of formalisation of the economy, which will consequently improve the fiscal and growth dynamic of the country. Add to this, the government's drive to focus on urbanisation, will also help increase India's per capita income, as normally urbanisation leads to increased prosperity.

India will be one of the leading sources of global middle-class consumption by 2030

Indeed, a doubling of per capita over the next decade will have tremendous implication for investment opportunities in different sectors of the economy (consumption, infrastructure, banking, utilities, industrials etc.). A study by Brookings Institution[2] found that India is slated to become one of the leading sources of middle-class (people spending USD11 to USD110 a day based on 2011 PPP$ fall in the middle-class category) demand in the coming decades. As per their study, by 2030, India is expected to account for 17% of global middle-class consumption, just behind China (22%) and ahead of US (7%). This trend is unlikely to change meaningfully despite the COVID-19 pandemic, in our view. Hence, India will continue to be a favourite investment destination for years to come.

Need to be forward looking as ongoing reforms to yield positive results in the coming years

At present, the Indian economy is recovering from a sharp slowdown in 2020 due to COVID-19 and even before the pandemic, growth had slowed primarily led by problems in the shadow-banking sector (Non-Banking Financial Companies) and large NPA's in the banking sector, which had reduced private consumption expenditure and domestic demand substantially. To offset the demand slowdown, the government has taken a series of fiscal measures over the last few years including a bold decision in September 2019 to cut the corporate tax rate to 22% and to 15% for new domestic manufacturing units, while RBI has also cut the policy repo rate by 250bps to 4.0% since early-2019 to revive growth. A large liquidity surplus in excess of INR 11 trillion has helped improve monetary transmission significantly, but credit growth and private investment momentum continue to be weak, due to an uncertain short-term outlook and risk aversion attitude.

While it will take some time for the Indian economy to reach its pre-pandemic growth path, it is instructive in our view to consider the future potential, based on the ongoing reform measures. Over the course of the next few years, the GST which was implemented in July 2017, will become perfect and start yielding the desired benefits. Revenues are likely to go up as the tax base becomes broader (even petroleum products could become part of GST over the next few years), led by increased formalisation and the reduced corporate tax rate will also likely act as an added incentive to boost private investment, which has remained weak through the last decade due to deleveraging compulsion. A lower corporate tax rate is also likely to incentivise greater FDI inflows into the country and support investments in the economy.

2 Brookings Institution (Author: Homi Kharas): The unprecedented expansion of the global middle class - an update (Feb 2017), last accessed on September 28, 2021

Government's push for ramping up infrastructure spending along with asset monetisation programme and the Production Linked Incentive (PLI) schemes for key sectors could be a game changer, if executed properly

The central government has planned to increase FY22 capital expenditure by 30% YoY, which if executed properly, will help to boost India's physical capital meaningfully, and along with it give a boost to employment and private sector investment through a virtuous multiplier impact. The longer-term investment potential also remains bright. The central government has announced an ambitious Asset Monetisation Programme in August 2021, for key sectors such as roads, railways, power, oil and gas and telecom, with monetisation potential of INR 6 trillion through FY22 to FY25. While a number of factors, including execution capability, timing, market sentiment, and investor interest will play a key role in determining the success of the programme, the optimistic view is that the targets could be achieved as the assets pertain to brownfield projects, for which investor interest could remain high. Add to this the government's push for Production Linked Incentive (PLI) schemes in 13 key sectors is also expected to give a boost to local manufacturing and generate employment opportunities. As per the government's estimate, minimum production in India as a result of PLI schemes is expected to be over USD 500 billion in 5 years.

Insolvency and Bankruptcy Code will help reduce NPA risks in the future and a host of banking sector reforms will incentivise productive pick-up in credit and real GDP growth

A proper bankruptcy law (which India never had and only came into force in 2017), in the form of Insolvency and Bankruptcy Code (IBC), will help to reduce crony capitalism, incentivise proper risk assessment - thereby making the banking sector more credible - and will make India's financial system more transparent and resilient over the next decade. The banking sector itself will be very different by the end of the next decade as the public sector banks consolidate (already the government has announced merging 10 public sector banks into 4 entities) and reduce their share (currently 60-65% of the banking system), with private sector banks likely to see their market share increase commensurately. There are seismic changes happening in the banking sector, which are not possible to discuss here in details, but suffice it to say, that increased focus on consolidation, privatisation, digitisation and competition will result in a cleaner and efficient mode of financial sector intermediation, as and when the investment and credit cycle starts turning to the upside.

Financialisation of household savings to accelerate, which is bullish for capital market prospects

RBI's move to adopt a flexible inflation targeting framework (with a goal to maintain CPI inflation at 4% on a durable basis; though we expect CPI inflation to be more in the 5.0-5.5% range in the post COVID-19 world) a few years ago coupled with the government's focus to bring more transparency in the real estate sector have started an irreversible structural shift of household savings from physical to financial assets, a trend which in our view will accelerate further in the period ahead, once the COVID-19 pandemic has dissipated. Our preliminary calculation suggests that the share of financial savings in total household savings is likely to touch 55-57% by 2030 (from 41% currently), with most of this incremental household savings likely to find its way into India's capital markets, which makes us bullish about the medium-term prospect.

Gross FDI flows and FX reserves will likely increase over USD 100 billion and USD 1 trillon respectively by 2030

India has made significant progress in the FDI space, where norms have been liberalised and simplified substantially since 2014. Gross FDI flows amounted to USD 56 billion and USD 55 billion in FY20 and FY21 respectively, and the COVID-19 pandemic did not seem to have any impact on the quantum of FDI flows. Even on a conservative basis, we estimate gross FDI flows to double to about USD 110 billion by the end of this decade. This will remain a key support for financing the current account deficit, which we expect to rise gradually toward a sustainable 1.8% of GDP mark by the end of the forecasting horizon. India's FX reserves currently stand at about USD 641 billion with additional net forwards outstanding (as of end July) at USD 49 billion, which make it a total of USD 690 billion. Even on a conservative basis, we expect India's gross FX reserves to rise to about INR 1 trillion by the end of this decade. Strong and stable FDI flows and a war-chest of FX reserves will help maintain the resiliency of the external sector and currency to any potential shocks in the future.

General government fiscal deficit and debt likely to reduce to 7% and 75-80% range by the end of the decade

While the long-term structural story remains positive, there are a few challenges India will have to deal with. From a macro standpoint, fiscal consolidation will need to be given priority, once the economic recovery has gained sufficient traction, as without a credible plan to reduce India's debt/ GDP from the current 88-90% levels to the pre-pandemic level of 70%, there are potential risks of crowding out, once the cycle begins to turn. The FY22 budget has laid out a fiscal consolidation roadmap to reduce the centre's fiscal deficit to 4.5% of GDP by FY26, from 6.8% of GDP in the current fiscal year, but it will help if this target can be achieved at a faster pace. Even with centre's fiscal deficit likely coming down to 4% of GDP by the end of the decade, we estimate the general budget deficit to be close to 7% of GDP and public debt to moderate to 75-80% range by 2030.

Fiscal consolidation is imperative from a medium-term perspective, as without debt and deficit reduction, it will be difficult for India to get a ratings upgrade in the coming years. Given competing considerations of supporting growth, providing subsidies to farmers/ poor people and a large interest payment obligation each year (which accounts for 23% of total expenditure), it is difficult to aim for meaningful fiscal consolidation, unless revenue/ GDP picks up meaningfully. While GST and the cut in corporate tax rate will be beneficial for the economy in the medium-term, divestment of public sector enterprises and asset monetisation will need to play a major role in the next few years to keep the fiscal deficit under check. But even if India achieves the fiscal consolidation path as described above, gross market borrowings will still stay significantly high, due to large redemptions that are due over the next several years. This can put pressure on bond yields and widen the term-premium, as and when RBI starts the normalisation of the extraordinary monetary accommodation that remains in place currently.

Bond index inclusion is likely to become a reality soon

Given this fiscal backdrop, the fiscal authorities along with the RBI have been keen to open India's bond market more liberally to foreign investors, as this will be a welcome source of incremental demand for local currency government bonds (used to finance the fiscal deficit), thereby preventing longer tenor yields from rising excessively on account of the demand-supply mismatch in bond markets and also reduce compulsion on the central bank's part to purchase large amount of government bonds on a regular basis (RBI currently holds more than 17% of local currency bonds). Including India in global bond indices, which can potentially see large inflows from a diverse investor base, tracking a particular index, can help significantly in this regard. We expect this to become a reality soon (announcement could be made as early as in Jan-March'22), and gain traction over the next decade. This will lead to a fundamental shift in India's fixed income markets, with commercial banks' holding of local currency bonds (currently 36% of outstanding bonds) likely to see a steady decline, while that of foreign investors' holding (currently just 1.8% share of outstanding government bonds) going up materially over the next decade.

Job creation will assume significant importance going forward, particularly for states which are expected to see the highest growth in population rate

Apart from the fiscal, the other big challenge India faces has to do with its population dynamic. While from a country point of view, India is slated to enjoy a demographic dividend of increasing working age population (and a lower dependency ratio), we note that almost 64% of the rise in India's working age population by 2030 will come from some of the poorest states – Bihar, Jharkhand, Rajasthan, Madhya Pradesh and Uttar Pradesh. As working-age population increases sharply in these states over the next decade and beyond, the pressure on these respective state governments will mount to generate new employment (employment has already been impacted severely by the COVID-19 pandemic since 2020) and attract higher investments, failing which the incidence of poverty and human development conditions could worsen. Meaningful fiscal support to prop up growth and development would remain a key challenge, given that these states already have a high debt burden, worsened by the COVID-19 pandemic. If the incidence of migration gathers pace, as people shift elsewhere looking for employment opportunities, the fiscal position of these states could deteriorate further, as the government's own-tax revenue falls, thereby raising the deficit and the debt. The state of Uttar Pradesh has shown improvement across different fiscal metrics over the last few years and enjoys the highest own-tax-revenue ratio among all states, but other states do not have that comfort to fall back on. Therefore, continued and rapid progress toward fiscal consolidation, along with focus on factor market reforms – land, labour and capital - is essential for these states particularly and for India generally to be able to leverage the economies of scale in a productive manner.

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 o fbody 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: [ ] PassportNo.____________________

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 CountryName [▼]

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:

S. 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 Licence) [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): ______________________________

Networth (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 authorized 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		Web-site
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 per cent 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: initial are not permitted)

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

Last Name/ Surname

First Name

Middle Name

Address

Flat/ Room/ Door/ Block No.

Signature of the Applicant ______________________________

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 & 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 Account (SNRA) in my/our name.

OR

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

PART- F (Declaration & 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. Incase 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 Authorized 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			
DPID		ClientID	

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 & 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 authorize custodian to operate the account through Power of Attorney (PoA) and not to receive credits automatically into our account.
6) We authorize 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 authorize 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.

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/ OCI/ 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 percent of the corpus of the FPI and in aggregate is below 50 percent 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 authorized representative of FPI (optional)	
Email id 1 (Mandatory) :	
Email id 2 (Optional) :	
Email id 3 (Optional) :	
Mobile number (optional):	

8. Information in respect of Authorized 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 (example driving license)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.							

Column 6, 7 & 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:

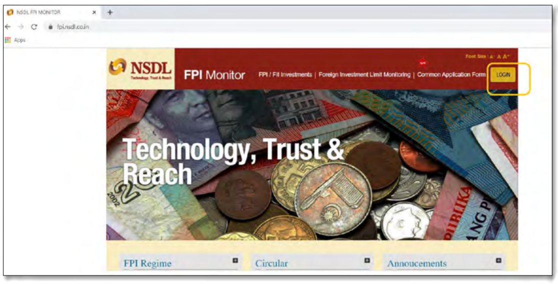
(Signature block for Applicant)

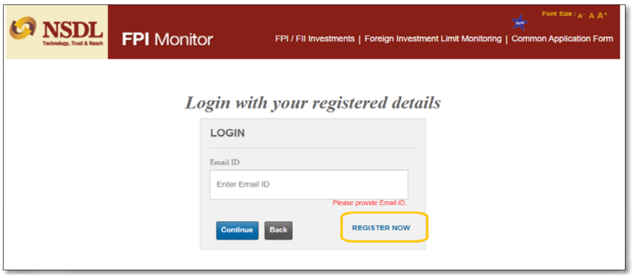
Signature(s) of Authorised Person(s)

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.



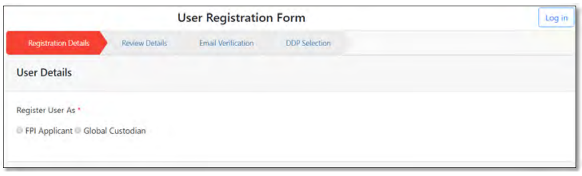


A user can register itself for common application form in below manner:

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 resepctive DDP for verification and activation electronically.
DDP User Verification	— DDP shall authorise user registration request recieved 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 deisngated email ID upon activation of user.

ANNEXURE
2

Documentation and Guidance

Annexure 2.1: Documentation Requirements for FPI Registration

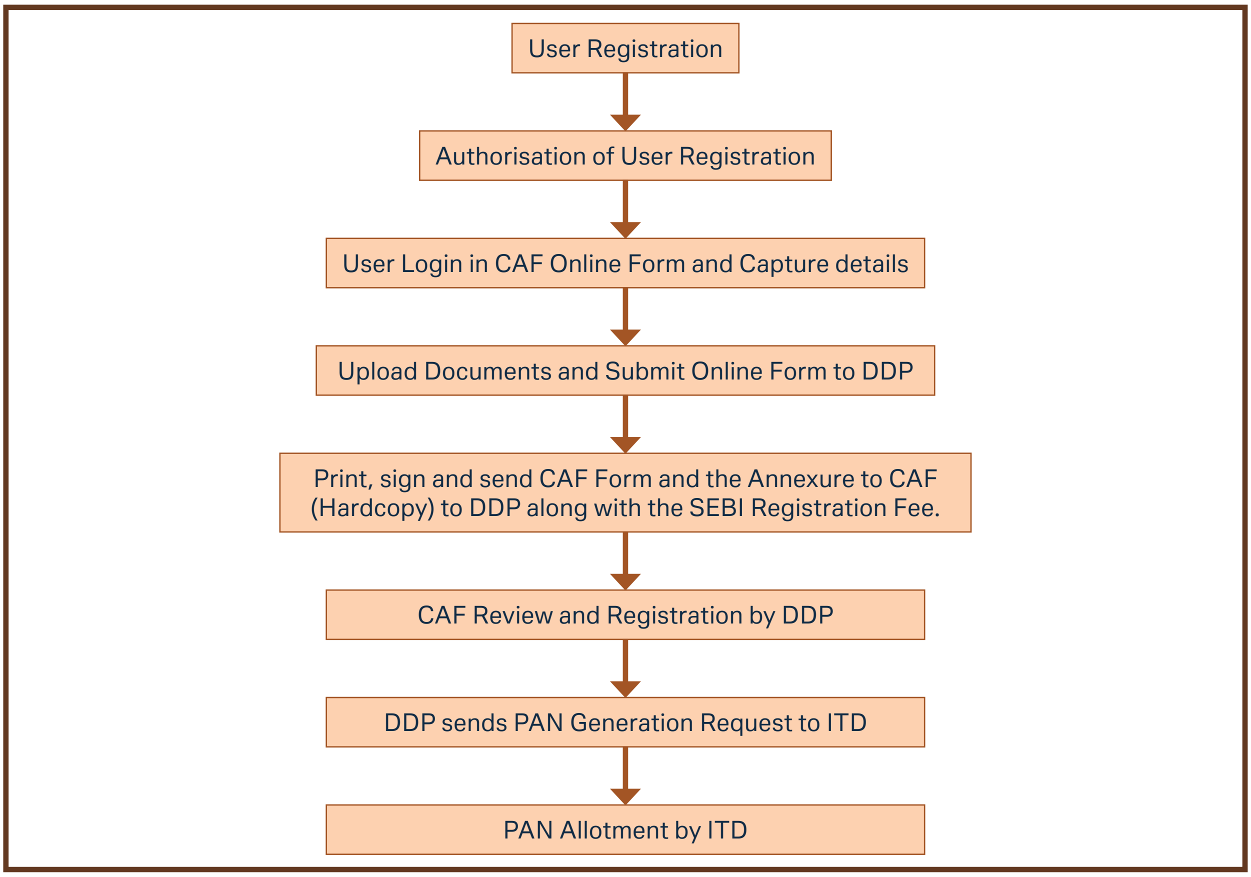
FPI Registration Application Documentation		
Application to DDP Application form for Grant of Registration which includes:	Common Application Form (CAF) CAF is a digital form, hosted online on FPI portal of NSDL on below link (https://www.fpi.nsdl.co.in/web/HomePage/caf_landing.html)	Refer Annexure 1.1
	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	https://www.fpi.nsdl.co.in/web/HomePage/caf_landing.html
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). — Then review the information and click 'Save' and 'Next'.
2.5	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
2.6	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
2.7	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 Common Application form:

Section Reference	Information Required in Form	Guidance Comments
Part A	KYC Information	
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. Abbreviated form of words such as 'Private Limited' should NOT be used.

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.
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 of 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.
5.	Place and Country of Birth of the Incorporation/ Establishment/ Formation In case of Foreign Individual applicant, please specify the nationality and passport no. of the applicant.	The applicant needs to provide the place and select the country from the drop-down list, where the applicant is incorporated or set up. Please also mention the ISD Country Code (e.g. +1 for US, +91 for India). The individual applicant needs to specify his nationality and passport no. Institutional clients can enter 'N.A'.
6a.	Legal Entity Identifier	The applicant needs to provide Legal Entity Identifier Code issued by Local Operating Units (LOUs) accredited by Global Legal Entity Identifier Foundation (GLEIF). Legal Entity Identifier is mandatory in India Market for transaction in Government Securities, Money Market and Forex Market.
6b.	Tax Residency Certificate No.	The FPI Applicant is to provide Tax Residency Certificate Number and select the country of Tax Residency from drop down list.
7	KYC Information (Address and Communication Details)	
7a, 7b and 7c	Address of the Applicant	The applicant needs to mention their registered address and office address (if different from the registered address). Each field has a limitation of 25 characters. The country to be selected from given drop down list. Applicant also needs to indicate the address to be used for communication, by ticking the appropriate checkbox. Details should match the POA.

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

7d.	Email ID	The applicant needs to provide Email ID. Email id field has a limitation of 40 characters.
7d.	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 drop-down. Applicants can select 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
9a.	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 dropdown menu. A table of code and business/ profession provided below (at the end of this guidance note).
9b.	Gross Annual Income	The applicant is to provide the Gross Annual Income in INR terms.
9b.	Latest available Net worth in INR (Cannot be older than one year from the date of application; please provide date)	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 1 year from the date of application.

10.	Occupation Details	Occupation of the Applicant to be provided. It would be selected from drop down list. The list is provided below at end of this guidance note. Separate menu provided for individual applicants and non-individual applicants. Applicant should select from appropriate list.
11.	Documents	
11.	Proof of Identity Submitted	The Applicant is to select from the drop-down list, the proof of identity to be submitted. List is provided below at the end of this guidance note.
11.	Proof of Address Submitted	The Applicant is to select from the drop-down list, the proof of address to be submitted. List is provided below at the end of this guidance note.
12	Politically Exposed Person	
12	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 Politically Exposed Person or related to 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
A- Passport Number (Passport Expiry date to be specified)	Certificate of Incorporation/ Formation
B- Voter ID Card	Registration Certificate
C- PAN Card with Photograph	Memorandum of Article of Association/ Partnership Deed/ Trust Deed/ Prospectus/ offering memorandum or equivalent document
D- Driving Licence Number (Expiry date to be specified)	
F- NREGA Job Card	
Others	

List of Proof of Address

For Individuals	For Non-Individuals
Passport Number	Certificate of Incorporation/ Formation
Driving Licence	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 2 months (landline/ electricity)
Others (any document notified by the central/ state government and its Departments, Statutory/ Regulatory Authorities, Tax Authorities)	Bank account statement dated within the last 3 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	The applicant should select category and a sub- category, which is most appropriate for it from the 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. e.g., 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 of Investment Manager.
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	
16.	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. Mandatory for Foreign Investor to open demat account.

17.	Compliance Officer	
17.	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 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.

<table>
<tr><td>21.</td><td colspan="2">Disciplinary History</td></tr>
<tr><td></td><td>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)</td><td>If ‘Yes’, furnish details in annexure.
The Applicant is to tick ‘Yes’ or ‘No’ as applicable.</td></tr>
<tr><td>22.</td><td colspan="2">Clubbing of Investment Limit</td></tr>
<tr><td></td><td>Clubbing of Investment limits is applicable due to common control or common ownership of more than 50%.</td><td>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.</td></tr>
<tr><td>23.</td><td colspan="2">Details of Prior Association with Indian Securities Market</td></tr>
<tr><td></td><td>Whether the applicant was anytime associated with Indian securities market as FPI, FII, Sub-account, QFI, OR FVCI
(Yes/ No)</td><td>If ‘Yes’, furnish details in the table provided.
Select ‘Yes’ or ‘No’ as appropriate.
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</td></tr>
</table>

Annexure 2.5: Part C – Additional Information for obtaining PAN

Section Reference	Information Required in Form	Guidance Comment
	Current PAN Status	
24.	Whether the applicant already holds PAN	The Applicant is to choose appropriate response from the drop-down list. If 'Yes' the number 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, including LLP — 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 Accessing 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 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.

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 other national or citizenship Identification Number or Taxpayer Identification 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 other national or citizenship Identification Number or Taxpayer Identification 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.
35.	Family Information	
	Where the mother is a single parent and you wish to apply for PAN by furnishing the name of your mother only	If the applicants' 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	The 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 check box 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.
38.	Bank Account Information	
	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 signatory and the designation near the Signature Column and in the Signature block. The Authorised Signatory should sign the document along with Name and date. Signature of the applicant at the bottom of each page of CAF in full (Singly/ 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 India 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 category I FPI (Regulation 5(a)(v)(B) FPIs)	
	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.
5	Non-resident Indians (NRIs) and/ or Overseas Citizen of India (OCIs) and/ or Resident Indian (RI) declaration – Control	
Section A – I	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 2 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 set-up 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	Off-shore funds granted 'No Objection Certificate' by SEBI under SEBI (Mutual Funds) Regulations, 1996, are exempted. Off-Shore Fund which has obtained 'No Objection Certificate' as per SEBI (Mutual Funds) Regulations, 1996, should indicate as such.
5	Non-resident Indians (NRIs) and/ or Overseas Citizen of India (OCIs) and/ or Resident Indian (RI) declaration - Entitlement in FPI	
Section B – II	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 2 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.
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 1 Email ID is mandatory and up to 3 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 Number: 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).
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	Signing Authority
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 3000 + USD 20 (for PAN application) Cat II – USD 300 + USD 20 (for PAN application)
3	Undertaking from Investment Manager	To be obtained, if entity seeking licence 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 5 years), Unregulated funds with regulated investment manager who is registered as a Cat I FPI

ANNEXURE 3

List of 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://www.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 Organiation 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:	Mr. Sameer Patil
	Designation:	Chief Business Officer, BSE
	Email:	sameer.patil@bseindia.com
	Phone:	+91-22-2272 8587
Indian Clearing Corporation Limited (ICCL)	Name:	Ms. Devika Shah
	Designation:	Managing Director and CEO
	Email:	devika.shah@bseindia.com
	Phone:	+91-22-2272 8040
	Name:	Mr. Piyush Chourasia
	Designation:	Chief Risk Officer and Head – Strategy
	Email:	piyush.chourasia@icclindia.com
	Phone:	+91-22-2272 8008
Central Depository Services Ltd (CDSL)	Name:	Ms. Nayana Ovalekar
	Designation:	Chief Regulatory Officer
	Email:	nayana@cdslindia.com
	Phone:	+91-22-6634 1855
CDSL Ventures Limited (CVL)	Name:	Mr. Sunil Alvares
	Designation:	Managing Director and CEO
	Email:	sunila@cdslindia.com
	Phone:	+91-22-2272 8627
Multi Commodity Exchange of India Ltd. (MCX)	Name:	Mr. Rishi Nathany
	Designation:	Head - Business Development and Marketing
	Email:	Rishi.Nathany@mcxindia.com
	Phone:	+91-22-6731 9301
	Name:	Mr. Sanjay Golecha
	Designation:	Chief Regulatory Officer
	Email:	Sanjay.Golecha@mcxindia.com
	Phone:	+91-22-6731 8925

Metropolitan Clearing Corporation of India Ltd.	Name:	Mr. Krishna Wagle
	Designation:	Managing Director
	Email:	krishna.wagle@mclear.in
	Phone:	+91-22-6831 6600/ +91-86574 15671
National Securities Depository Limited (NSDL)	Name:	Mr. Samar Banvat
	Designation:	Executive Director
	Email:	samarb@nsdl.co.in
	Phone:	+91-22-2499 4590
	Name:	Mr. Prashant Vagal
	Designation:	Executive Vice President
	Email:	prashantv@nsdl.co.in
	Phone:	+91-22-2499 4481
National Stock Exchange (NSE)	Name:	Mr. Ravi Varanasi
	Designation:	Chief Business Development Officer
	Email:	raviv@nse.co.in
	Phone:	+91-22-2659 8225
	Name:	Mr. K. Hari
	Designation:	Chief Business Officer- Equity, Currencies and Derivatives
	Email:	harik@nse.co.in
	Phone:	+91-22-2659 8452
NSE Clearing Limited (NCL)	Name:	Mr. 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, Business Development
	Email:	Kavita.Jha@ncdex.com
	Phone:	+91-22-6640 6849 / +91-99302 67919
NSDL Database Management Limited (NDML)	Name:	Madhusudhan ML
	Designation:	Managing Director
	Email:	madhusudhan@nsdl.co.in
	Phone:	+91-22-4914 2506
International Financial Services Centre (IFSC)	Name:	Mr. Sandip Shah
	Designation:	Head – IFSC Department, GIFT City
	Email:	sandip.shah@giftgujarat.in
	Phone:	+91-79617 08497/ +91-75670 22882

Tax Agents/ Consultants

BDO	Name: Manoj Purohit Designation: Leader – FS Tax, Tax and Regulatory Services Email: manojpurohit@bdo.in Phone: +91-98330 91298
Deloitte Haskins & Sells LLP	Name: Rajesh H Gandhi Designation: Partner Email: rajegandhi@deloitte.com Phone: +91-22-6185 4380/ +91-98195 90172
Ernst & Young LLP	Name: Tejas Desai Designation: Partner, Financial Services and Private Equity Tax Email: tejas.desai@in.ey.com Phone: +91-22-6192 0710/ +91-98204 10278
KPMG	Name: Sunil Badala Designation: Partner and Head BFSI – Tax Email: sunilbadala@kpmg.com Phone: +91-22-3090 2100/ +91-98926 00615
Manohar Chowdhry & Associates	Name: Ameet Patel Designation: Partner Email: ameet.patel@mca.co.in Phone: +91-98200 54854
Minesh Shah & Associates LLP	Name: Malav Shah Designation: Partner Email: malav@mineshshah.com Phone: +91-22-4004 4600/ +91-98209 09359
Price Waterhouse & Co LLP	Name: Suresh Swamy Designation: Partner, Financial Services Email: suresh.v.swamy@pwc.com Phone: +91-22-6119 8053/ +91-99301 48175
Nexdigm (SKP)	Name: Maulik Doshi Designation: Sr. Executive Director Email: maulik.doshi@nexdigm.com Phone: +91-22-6617 8100/ +91 98205 40027
Grant Thornton India LLP	Name: Raja Lahiri Designation: Partner Email: Fiigttax@in.gt.com Phone: +91-22-6626 2600

Legal contacts

Begur & Partners	Name: Rajesh N. Begur Designation: Founder and Managing Partner Email: rajesh@begurs.com Phone: +91-22-4004 9800
AZB & Partners, Advocates & Solicitors	Name: Rushabh Maniar Designation: Partner Email: rushabh.maniar@azbpartners.com Phone: + 91-22-6639 6880
Finsec Law Advisors	Name: Sandeep Parekh Designation: Managing Partner Email: sandeep.parekh@finseclaw.com Phone: +91-22-6236 3181
Indus Law	Name: Nishant Singh Designation: Partner Email: nishant.singh@induslaw.com Phone: +91-22-4920 7215/ +91-22-6149 6215
J. Sagar Associates, Advocates & Solicitors	Name: Aashit Shah Designation: Partner and Chair, Finance Practice Email: aashit@jsalaw.com Phone: +91-22-4341 8536/ +91-98201 10298
Khaitan & Co	Name: Siddharth Shah Designation: Partner Email: Siddharth.Shah@khaitanco.com Phone: +91-22-6636 5000
Nishith Desai Associates	Name: Nishith Desai Designation: Founder Email: nishith@nishithdesai.com Phone: +91-22-6669 5130/ +91-77386 33000
Platinum Partners	Name: Ankit Majmudar Designation: Partner Email: ankit.majmudar@platinumpartners.co.in Phone: +91-22-6111 1900
Shardul Amarchand Mangaldas	Name: Jay Gandhi Designation: Partner Email: jay.gandhi@AMSShardul.com Phone: +91-22-4933 5555/ +91-98200 54821
Trilegal	Name: Ameya Khandge Designation: Partner Email: Ameya.Khandge@trilegal.com Phone: +91-22-4079 1000/ +91-22-4079 1006
Wadia Ghandy & Co. Advocates, Solicitors and Notaries	Name: Shabnum Kajiji Designation: Partner Email: shabnum.kajiji@wadiaghandy.com Phone: +91-22-4073 5652

ANNEXURE 5

List 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
ARC	Asset Reconstruction Company
ASBA	Applications Supported by Blocked Amount
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
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

Abbreviation	Full word
DEA	Department of Economic Affairs
DII	Domestic Institutional Investor
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

Abbreviation	Full word
FD	Fixed Deposit
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999
FI	Financial Institution
FIFO	First In, First Out
FIFP	Foreign Investment Facilitation Portal
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
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-Secs	Government Securities
Holdco	Holding Company
ICCL	Indian Clearing Corporation Limited
ICDM	Indian Corporate Debt Market

Abbreviation	Full word
ICDR	Issue of Capital and Disclosure Requirements
IDFI	Indian Development Finance Institutions
IDR	Indian Depository Receipt
IFSC	International Financial Services Centre
IGA	Intergovernmental Agreement
INR	Indian Rupee
InvIT	Infrastructure Investment Trust
IOSCO	International Organization of Securities Commissions
IPO	Initial Public Offer
IPP	Institutional Placement Programme
IRF	Interest Rate Future
ISIN	International Securities Identification Number
ITP	Institutional Trading Platform
IVCU	Indian Venture Capital Undertaking
KMP	Key Managerial Personnel
KYC	Know Your Client
LLP	Limited Liability Partnership
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

Abbreviation	Full word
MHA	Ministry of Home Affairs
MIM	Multiple Investment Managers
MMoU	Multilateral Memorandum of Understanding
MoF	Ministry of Finance
MRC	Minimum Required Capital
MSEI	Metropolitan Stock Exchange of India
MTM	Mark to Market
NAV	Net Asset Value
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

Abbreviation	Full word
PD	Primary Dealer
PDO	Public Debt Office
PE	Permanent Establishment
PIO	Persons of Indian Origin
PIS	Portfolio Investment Scheme
PM	Primary Member
PMLA	Prevention of Money Laundering Act, 2002
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
SDR	Strategic Debt Restructuring
SEBI	Securities and Exchange Board of India

Abbreviation	Full word
SGF	Settlement Guarantee Fund
SGL	Subsidiary General Ledger Account
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
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
UPSI	Unpublished Price Sensitivity Information
VaR	Value-at-Risk
VC	Venture Capital
VCF	Venture Capital Fund
VCU	Venture Capital Undertaking
WHT	Withholding Tax
ZCB	Zero Coupon Bond

Securities Services, India
Corporate Bank
Deutsche Bank AG, India

Contact

Sriram Krishnan

Co-Head, Global Transaction Banking, India

Head, Securities Services, India & Sub-continent

Corporate Bank

Deutsche Bank AG

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