



Trust and Securities Services

# Namaste India

The comprehensive guide  
to investing in India

With deep dedication.  
**Deutsche Bank**







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## Foreword

The past year has underscored the resilience and adaptability of global markets amid shifting economic priorities and technological transformation. In this evolving landscape, India has emerged as a focal point for international investors — offering a compelling combination of investment opportunities, stability and structure. The country's financial markets continue to deepen, accompanied by easing of regulatory frameworks, and new policy initiatives to consistently reinforce India's position as a trusted and forward-looking global investment destination.

India's growth story stems from progressive reforms, a vibrant entrepreneurial ecosystem, and a commitment to global best practices. The advancements are complemented by regulatory clarity and digital innovation, which continue to simplify access and enhance transparency for participants and foreign investors.

At Deutsche Bank, we remain dedicated to supporting our clients as they navigate this promising yet complex environment. Our focus is on delivering insights, solutions, and expertise that enable informed decision-making and long-term success. Our flagship publication, **Namaste India**, a reflection of this commitment — is a comprehensive guide designed to complement clarity on investment routes, compliance requirements, and the evolving regulatory landscape.

As we present the 12<sup>th</sup> edition of this guide, we extend our gratitude to our clients and partners for their continued trust and engagement. We hope this resource serves as a valuable companion in unlocking the opportunities that India offers today and in the years ahead.

*With deep dedication.*

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# Introduction

Over the recent years of breakthrough developments, market volatilities and global economic uncertainties, India has firmly established itself as a leading destination for global capital, characterised by robust macroeconomic fundamentals. Offering a unique blend of economic resilience, favourable demographics, policy stability and timely structural reforms — India has strengthened its position as a key growth engine with immense growth potential.

Capital markets have witnessed sustained momentum, driven by a combination of domestic liquidity and renewed foreign participation. Equity markets remain among the most attractive in emerging economies, while debt markets are gaining traction with the inclusion of Indian government securities in global bond indices. The surge in public offerings and the deepening of alternative investment avenues underscore the growing sophistication of India's financial markets. The evolution of the investment landscape in India thus reflects a clear shift toward openness and innovation. Simplified entry norms, combined with a strong governance framework, have created an environment that promotes investor participation with greater ease, certainty and security.

**Namaste India** is designed to provide a comprehensive view of such developments relating to foreign investments to India. It serves as a practical reference for foreign investors investing into India, offering insights into investment structures, compliance requirements and operational frameworks.

## 1.1. Background

The objective of this guide is to provide referential information to foreign investors on the portfolio investments (Foreign Portfolio Investor), as well as an overview of other investment routes including Foreign Direct Investment (FDI) and Foreign Venture Capital Investor (FVCI). The book outlines the securities market structure in India, permissible asset classes and investment rules associated thereto. An extensive chapter is included on Gujarat International Finance Tec-City (GIFT City), Gandhinagar — India's offshore financial services centre.

## 1.2. What's New in 2025

This edition covers all the regulatory and procedural changes notified till September 15, 2025, as well as additional or amended material as applicable on the key aspects relevant to foreign investors.



### 1.3. Navigating through this Guide

- The guide provides context to the foreign investments model by outlining the regulatory and governance framework around the Indian securities market as [Chapter 2](#)
- The various prevalent investment routes into India are summarised as [Chapter 3](#). This includes comparative tables on key aspects, such as investment permissions across the three foreign investment routes
- Against a backdrop of steady growth in strategic investments into India, a separate section has been devoted to detailed coverage of FDI and FVCI routes as [Chapter 4](#) and [Chapter 5](#) respectively
- 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 applicable for each category of FPI 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. 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 experienced by domestic participants in the market. Overview of the clearing and settlement environment in the Indian securities market is available as [Chapter 10](#)
- A detailed note on Asset Servicing environment is included as [Chapter 11](#)
- An overview on the applicable tax structure is provided in [Chapter 12](#). 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 13](#) provides comprehensive information regarding Securities Lending and Borrowing framework
- [Chapter 14](#) describes the International Financial Services Centre (IFSC) at GIFT City, Gandhinagar
- [Annexures](#) include useful reference links, key contacts list and abbreviations used in the book

### 1.4. Namaste India E-Book

Namaste India is available as e-book, freely accessible online. E-books are available for current as well as all the past editions, including versions in Japanese (2016-2021 editions) and Korean (2019-2020 editions).

The e-books can be accessed at <https://corporates.db.com/publications/magazines/namaste-india>.

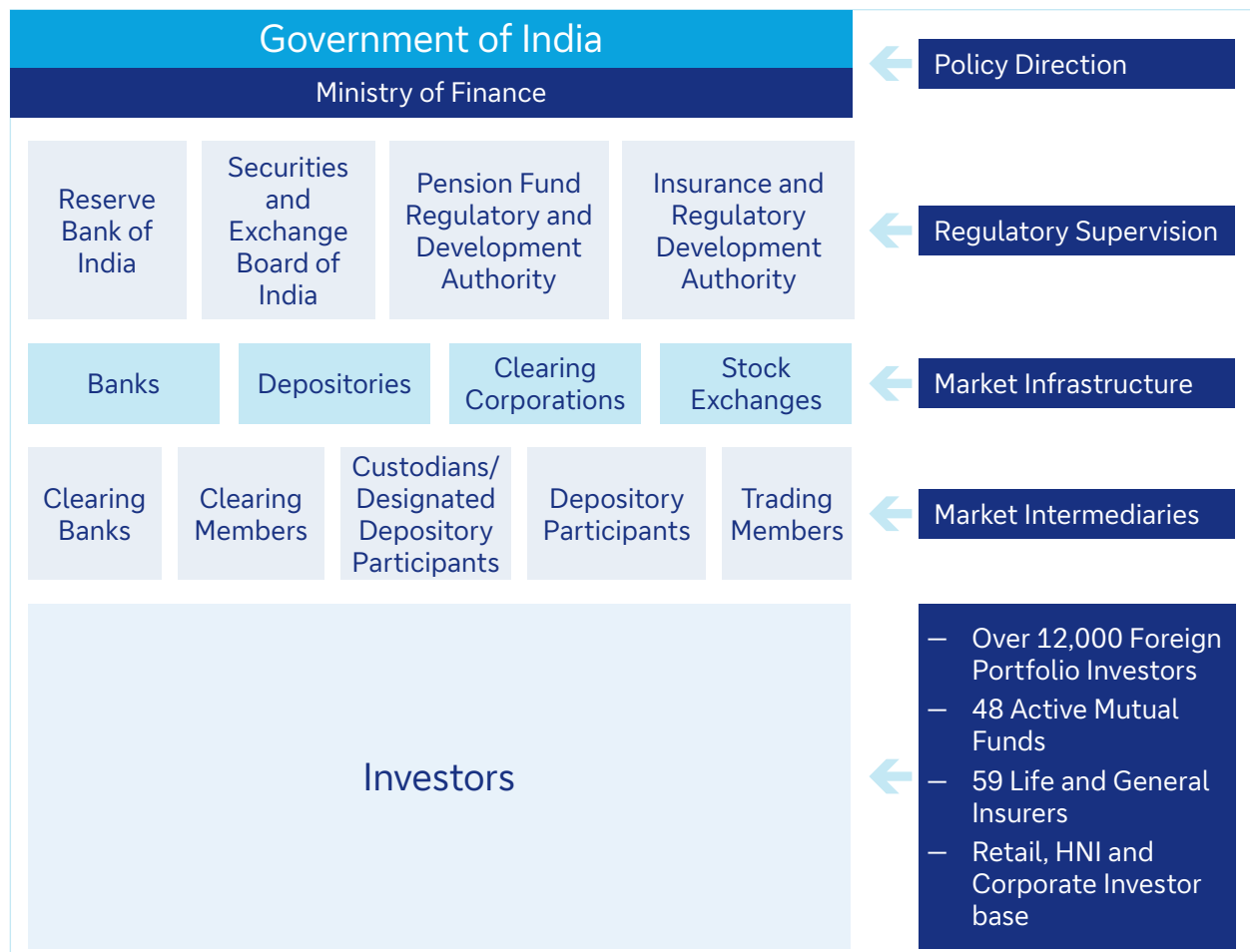
# 2

## Securities Market in India – Overview

The securities market in India is continuously looking to bring in reforms that can create an efficient and robust market infrastructure, expand investment opportunities with new products and initiatives, while at the same time protecting the interests of investors and making markets safer for all stakeholders.

### 2.1. Regulatory Structure

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



### Ministry of Finance, Government of India

The Ministry of Finance is the apex ministry responsible for the administration of finances of the Government of India and management of all economic and financial matters affecting the country, including mobilisation of resources for developmental activities.

- **Department of Economic Affairs (DEA):** The nodal agency of the Government of India, responsible for formulation and monitoring of the country's economic policies and programmes at a macro level and policies relating to the functioning of Indian banking, insurance and capital markets
  - The Capital Markets Division within the DEA is primarily responsible for all policy issues related to the growth and development of the securities markets and the orderly functioning of the securities market regulator
- **Department of Financial Services:** Oversees the functioning of banks, insurance and financial services provided by various government agencies and private corporations. It also oversees pension reforms, industrial finance and Micro, Small and Medium-sized Enterprises (MSMEs)

### Securities and Exchange Board of India

SEBI is the regulatory and registering authority for the various intermediaries and institutional investors connected to the Indian securities market. Its primary responsibilities include:

- Developing and regulating the securities market
- Protecting the interests of investors
- Regulating, recognising/ registering of:
  - Stock Exchanges, Depositories, Clearing Corporations
  - Custodians, Trading Members and Clearing Members
  - Foreign and Domestic Institutional Investors
  - Listed companies in terms of raising of capital, issuance and transfer of securities and corporate benefits
- Surveillance, audit and inspection of entities regulated by it
- Adjudicating offences and taking necessary action for violations under SEBI Act, 1992

### Reserve Bank of India

The RBI is India's central bank, responsible for the supervision of the overall financial services system. Its functions include:

- Formulation, implementation and monitoring of 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 foreign investment inflows and outflows, being the custodian of the country's foreign exchange reserves
- Governing the debt markets through primary dealers and providing liquidity support to market participants

## 2.2. Legal Framework

### 2.2.1. Key legislations governing the securities market in India

- **Securities Contracts (Regulation) Act, 1956 (SCRA)**
  - Regulates the business of dealing in securities to prevent undesirable transactions
  - Grants regulatory jurisdiction to the central government and SEBI over stock exchanges, contracts in securities and listing of securities on stock exchanges
- **Depositories Act, 1996**
  - Facilitates the establishment of securities' depositories with the objective of ensuring near-instant and secure transferability of securities
  - Mandates that all securities held in a depository be dematerialised (demat) and renders them fungible. It deems the depository to be a registered owner for the purpose of effecting transfer of ownership of securities on behalf of a beneficial owner and requires it to maintain a register and index of beneficial owners

- **Insolvency and Bankruptcy Code, 2016 (IBC)**  
Provides a time-bound process for resolving insolvency and bankruptcy cases
- **Foreign Exchange Management Act, 1999 (FEMA)**
  - Governs foreign currency transactions and investments by foreign investors in Indian securities markets, including government and corporate debt
  - Specifies reporting requirements for foreign investors
- **Prevention of Money Laundering Act, 2002 (PMLA)**
  - Know-Your-Customer (KYC) norms, record-keeping and documentation requirements
  - Establishes the basic statutory framework for customer identification, transaction monitoring, anti-money laundering measures, reporting requirements etc.
  - Provides a broad framework for market regulators to prescribe regulations and KYC rules, record-keeping and documentation obligations

### 2.2.2. Rules, regulations and guidelines applicable to foreign investors

- **SEBI (Foreign Portfolio Investors) Regulations, 2019 (FPI Regulations)**
- **Master Circular for Foreign Portfolio Investors, Designated Depository Participants and Eligible Foreign Investors**
- **SEBI (Foreign Venture Capital Investors) Regulations, 2000 (FVCI Regulations)**
- **SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011 (SAST Regulations)**
- **SEBI (Issue of Capital and Disclosure Requirement) Regulations, 2018 (ICDR Regulations)**
- **SEBI (Prohibition of Insider Trading) Regulations, 2015 (PIT Regulations)**
- **SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (PFUTP Regulations)**
- **Foreign Exchange Management (Non-debt Instruments) Rules, 2019**
- **Foreign Exchange Management (Debt Instruments) Regulations, 2019**
- **Foreign Exchange Management (Mode of Payment and Reporting of Non-debt Instruments) Regulations, 2019**
- **Master Direction: Reporting under Foreign Exchange Management Act, 1999**
- **Master Direction: Foreign Investments in India**
- **Master Direction: Non-resident Investment in Debt Instruments**

## 2.3. Capital Market Overview

<b>Regulators</b>	<ul style="list-style-type: none"> <li>– Reserve Bank of India (RBI)</li> <li>– Securities and Exchange Board of India (SEBI)</li> <li>– Insurance Regulatory and Development Authority of India (IRDAI)</li> <li>– Pension Fund Regulatory and Development Authority (PFRDA)</li> </ul>
<b>Stock exchanges/ Trading platforms</b>	<ul style="list-style-type: none"> <li>– National Stock Exchange (NSE)</li> <li>– Bombay Stock Exchange (BSE)</li> <li>– Metropolitan Stock Exchange of India (MSEI)</li> <li>– Multi Commodity Exchange (MCX)</li> <li>– National Commodity and Derivatives Exchange (NCDEX)</li> <li>– Negotiated Dealing System-Order Matching (NDS-OM) for trading, reporting of Government securities (G-Sec)</li> </ul>
<b>Central counterparties</b>	<ul style="list-style-type: none"> <li>– NSE Clearing Limited (NCL)</li> <li>– Indian Clearing Corporation Limited (ICCL)</li> <li>– Multi Commodity Exchange Clearing Corporation Limited (MCXCCL)</li> <li>– National Commodity Clearing Limited (NCCL)</li> <li>– Clearing Corporation of India Limited (CCIL) for clearing and settlement of G-Sec</li> </ul>



Depositories	<ul style="list-style-type: none"> <li>– National Securities Depository Limited (NSDL)</li> <li>– Central Depository Services (India) Limited (CDSL)</li> <li>– RBI for Government debt and Treasury Bills</li> </ul>
Market participants	Brokers, Custodians, Designated Depository Participants, Foreign Portfolio Investors, Domestic Asset Management Companies, Insurance Companies, Banks, Financial Institutions, Corporates and Retail Investors.
Securities identifier	International Securities Identification Number (ISIN). NSDL is the National Numbering Agency in India for issuing ISINs.

## 2.4. Trading Guidelines Overview

Settlement currency	Indian Rupee (INR); Convertible (onshore)
Account structure	Segregated securities, cash and depository account
Trading hours	<p><b>Cash/ Capital markets</b></p> <ul style="list-style-type: none"> <li>– Equity based on choice of settlement cycle: <ul style="list-style-type: none"> <li>– T+1 settlement: 09:15 to 15:30 IST</li> <li>– T+0 settlement: 09:15 to 13:30 IST (Pre-open call session: 09:00 to 09:15 IST)</li> </ul> </li> <li>– Securities Lending and Borrowing (SLB) segment: 09:00 to 17:00 IST</li> </ul> <p><b>Fixed Income/ Debt segment</b></p> <ul style="list-style-type: none"> <li>– Corporate bonds: <ul style="list-style-type: none"> <li>– New debt segment on exchanges: 09:00 to 17:00 IST</li> <li>– OTC trade reporting: 09:00 to 17:15 IST on trade date</li> </ul> </li> <li>– G-Sec market: NDS-OM: 09:00 to 17:00 IST (+3 hours for reporting of OTC trades by FPIs)</li> </ul> <p><b>Listed derivatives</b></p> <ul style="list-style-type: none"> <li>– Futures and Options: 09:15 to 15:30 IST</li> <li>– Currency derivatives segment: 09:00 to 17:00 IST (Cross-currency pairs EUR-USD, GBP-USD and USD-JPY can be traded till 19:30 IST)</li> </ul>
Settlement cycle	<ul style="list-style-type: none"> <li>– Equities <ul style="list-style-type: none"> <li>– T+1 rolling settlement (default)</li> <li>– T+0 – Optionally available for limited tradable securities</li> </ul> </li> <li>– SLB: T+1</li> <li>– Derivatives: T+1 (mark-to-market margin). Physical settlement on expiry of contract follows T+1 cycle</li> <li>– G-Sec: T+1/ T+2 (OTC) and T+1 for NDS-OM Web. All confirmations to be completed on T</li> <li>– Corporate bonds: T+1 (exchange-traded) and T+0 to T+2 (as agreed between counterparties in OTC market)</li> </ul>
Short selling	Permitted only against Borrow positions in the SLB segment. Naked short selling not permitted.
Fail trades	<ul style="list-style-type: none"> <li>– Equities: Buy-in will be conducted by the exchange. Penalties will be levied. No auction/ buy-in for T+0 trades</li> <li>– Corporate bonds: Default by one party results in fail trade and funds/ securities are returned</li> </ul>
SLB	<ul style="list-style-type: none"> <li>– Available as an exchange-based mechanism</li> <li>– Borrow permitted only for delivery into short sales</li> </ul>

'T' here refers to the Trade date.

## 2.5. Asset Classes

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

### 2.5.1. Equity

- Ordinary equity shares
- Preference shares
- Share warrants
- Fully, compulsorily convertible debentures

All transactions in equities are settled and held in dematerialised form at the depository.

### 2.5.2. Fixed Income

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

Market segment	Issuer	Instruments
Government Securities	Central Government	Treasury Bills/ Zero-Coupon Bonds, Coupon Bearing Bonds, STRIPs in G-Sec
	State Governments	Coupon Bearing Bonds
	Local Bodies	Municipal Bonds
Public Sector Bonds	Statutory Bodies	Coupon Bearing Debentures
	Public Sector Units	PSU Bonds, Coupon Bearing Debentures
Private Sector Bonds	Corporates	Indian Rupee denominated – Debentures, Bonds, Floating Rate Bonds, Zero Coupon Bonds, Commercial Papers, Inter-Corporate Deposits
	Banks	Indian Rupee denominated – Debentures, Bonds, Certificate of Deposit
	Financial Institutions	Indian Rupee denominated Bonds

### 2.5.3. Mutual Funds/ Hybrid Securities

Foreign investments permitted in units of the following SEBI-registered entities:

- Mutual funds
- Exchange-Traded Funds (ETFs) categorised as equity or debt-oriented funds
- Real Estate Investment Trusts (REITs)
- Infrastructure Investment Trusts (InvITs)
- Alternative Investment Funds (AIFs)

### 2.5.4. Listed Derivatives

#### Securities 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

#### FACT CHECK



BSE: USD 5.621 trillion (Aug '24) → USD 5.123 trillion (Aug '25) ↓ **8.87%**

NSE: USD 5.618 trillion (Aug '24) → USD 5.108 trillion (Aug '25) ↓ **9.07%**

**Forex reserves: USD 694 billion (Aug '25)**

Source: BSE Historical Reports, Bloomberg statistics and RBI Statistical Supplement

### Commodities Derivatives

Commodity derivatives are governed by SEBI under the SCRA.

Stock exchanges	<ul style="list-style-type: none"> <li>– National Commodity and Derivatives Exchange Limited</li> <li>– Multi Commodity Exchange of India Limited</li> <li>– Bombay Stock Exchange</li> <li>– National Stock Exchange</li> </ul>
Clearing corporations	<ul style="list-style-type: none"> <li>– National Commodity Clearing Limited</li> <li>– MCX Clearing Corporation Limited</li> <li>– Indian Clearing Corporation Limited</li> <li>– NSE Clearing Limited</li> </ul>
Traded commodities	<ul style="list-style-type: none"> <li>– Bullion</li> <li>– Gold and Silver</li> <li>– Metals – Aluminium, Copper, Lead, Nickel, Zinc, Steel</li> <li>– Energy – Crude Oil and Natural Gas</li> <li>– Agro – Cotton, Cardamom, Castor Seed, Rubber, Guar Seed, Spices, Cereals and Pulses, etc.</li> </ul>
Settlement cycle	Currently all trades are mark-to-market at the closing price of contract and the mark-to-market requirements are settled at T+1

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

### 2.5.5. Indian Depository Receipts

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

## 2.6. Foreign Exchange

The Foreign Exchange (FX) market in India is governed and regulated by the RBI. The Indian Rupee (INR/ ₹) is the domestic currency of India and is convertible into foreign currencies within the country, subject to regulatory conditions.

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

Contract type	Description	FX Settlement Day (Exchange of Currency)
Cash FX/ Same day	Matures (settles) on the same day the transaction takes place	T+0
Tom FX	Also referred to as overnight and settles on the following day	T+1
Spot FX	The most common FX transaction which has to be settled within two business days	T+2
FX Forward/ Option	A customised contract, deliverable at a future date beyond the Spot Date	T+3 or beyond

'T' here refers to the FX booking day/ date of transaction.

# 3

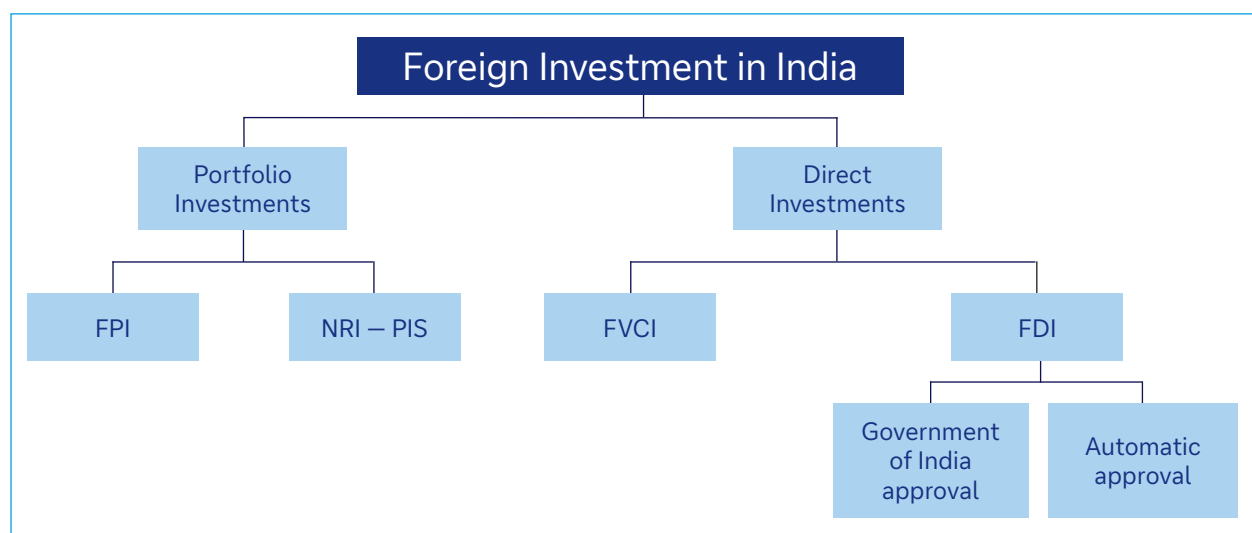
## Investment Routes into India

### 3.1. Access to Indian Securities Market

Entities established or incorporated outside India (i.e., foreign investors) can invest in securities issued by Indian companies through the following routes:

- **Foreign Portfolio Investor (FPI):** Portfolio investments are permitted in listed equities, fixed income instruments and exchange-traded derivatives on Indian stock exchanges. Investors are required to obtain FPI registration from a Designated Depository Participant (DDP) prior to making investments
- **Foreign Direct Investment (FDI):** Strategic investments in Indian companies can be made under the automatic route or the Government-approval route, depending on the sector of the investee company. Approvals for investments under the Government route are granted by the relevant ministry or department of the Government of India
- **Foreign Venture Capital Investor (FVCI):** Investments are permitted in venture capital undertakings and start-ups in specified sectors. Foreign investors can invest under this route after obtaining a license from the Securities and Exchange Board of India (SEBI)
- **Non-Resident Indian/ Overseas Citizen of India (NRI/ OCI):** Indian citizens residing abroad for employment, business or vocation or non-resident foreign citizens of Indian origin, are permitted to invest in Indian securities under both, portfolio investment and strategic investment (FDI) routes

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

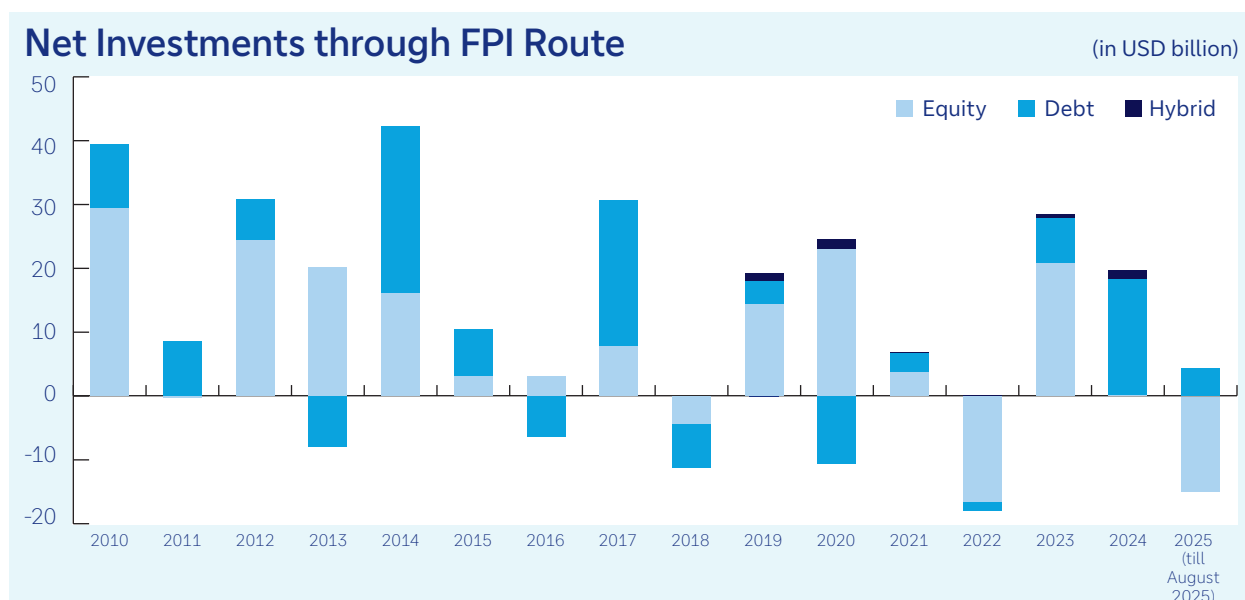




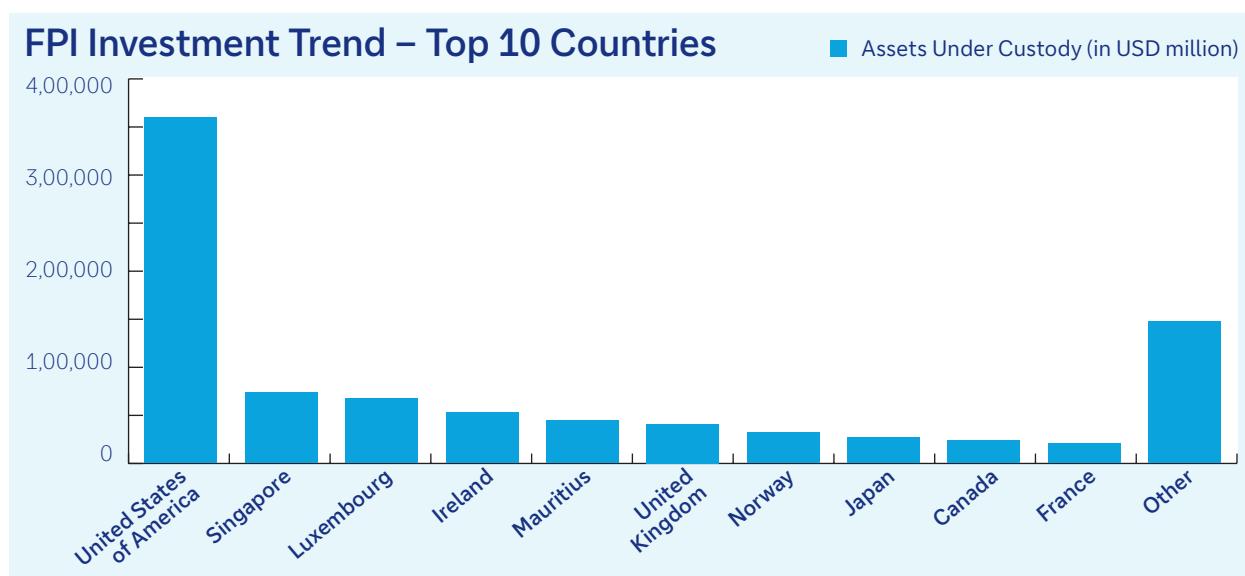
### 3.1.1. Foreign Portfolio Investor

- Investments under this route are primarily governed by the SEBI (Foreign Portfolio Investors) Regulations, 2019 and guidelines as specified under the Foreign Exchange Management (Debt Instruments) Regulations, 2019 and Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 issued by the Government of India and Reserve Bank of India (RBI)
- Market entry is facilitated through a DDP, who undertakes the registration process on behalf of SEBI. Registration is mandatory prior to initiating investments. Foreign investors must submit the application form (CAF), KYC-related documents along with registration fees to the DDP
- The FPI registration is perpetual, subject to payment of fees for a block of three years and completion of periodic KYC review
- Appointment of Custodian is mandatory. The DDP engaged and granting registration will also act as the Custodian
- Investments are permitted in securities as notified by SEBI and RBI. Such investments are governed by individual and aggregate foreign ownership limits, sectoral caps and other restrictions specified from time to time

### FPI Investment Statistics



Source: National Securities Depository Limited (NSDL) statistics



Figures of August 2025

Source: National Securities Depository Limited (NSDL) statistics

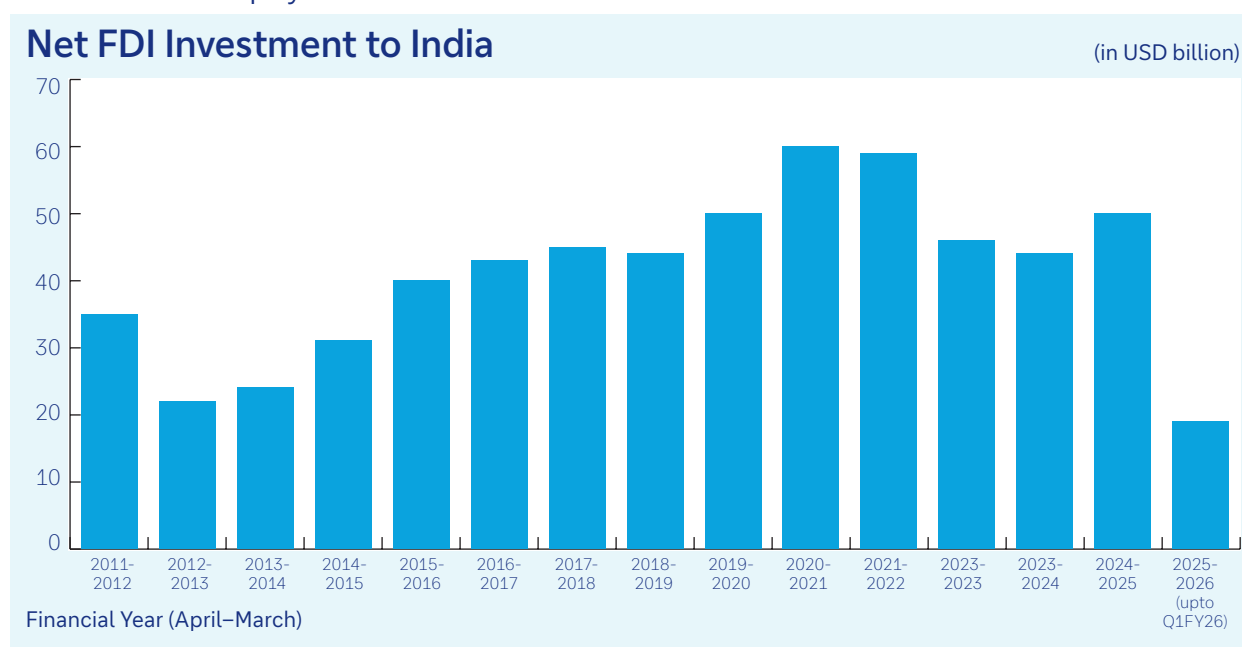
### 3.1.2. Foreign Direct Investment

- These investments are governed by guidelines specified under the Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 and the Consolidated FDI Policy issued by Department for Promotion of Industry and Internal Trade (DPIIT) under the Ministry of Commerce and Industry, Government of India
- Investments must adhere to the sector-specific rules, such as entry routes (automatic or government approval), pricing guidelines and sectoral limits, among others
- Permitted instruments for investment include equity shares and compulsorily and mandatorily convertible debentures/ preference shares, share warrants of an Indian company

**Automatic Route:** FDI permitted without prior approval of the Government or the RBI, in activities/ sectors specified under the FDI policy

**Government Route:** FDI in sectors not covered under the automatic route requires prior approval from the Government of India. Application must be made online on Foreign Investment Facilitation Portal of the DPIIT. The concerned ministry/ department evaluates and approves the application.

The chart below displays the FDI investment trend in India since 2011–12.

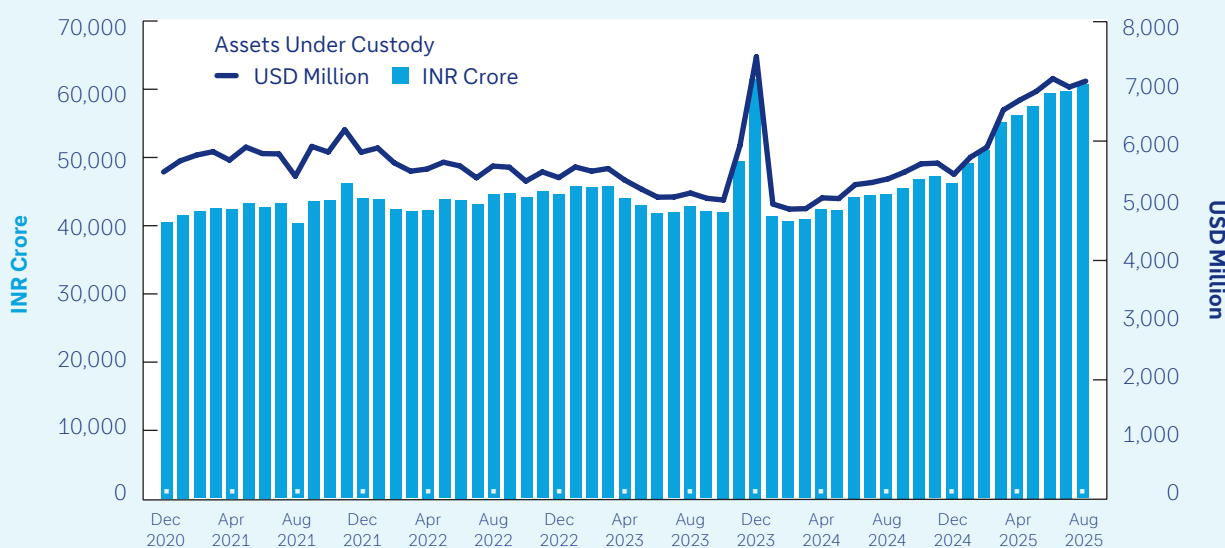


Source: Department for Promotion of Industry and Internal Trade (DPIIT)

### 3.1.3. Foreign Venture Capital Investment

- Foreign investment under this route is permitted in specified ventures/ sectors identified by the Government of India
- These investments are governed by SEBI (Foreign Venture Capital Investors) Regulations, 2000 and Foreign Exchange Management guidelines administered by the Government of India and RBI
- SEBI registration is mandatory. FVCI application must be made to a DDP along with supporting documents and registration fees
- Appointment of domestic Custodian and an Authorised Dealer (AD) Category I Bank is mandatory
- Investments are restricted to the 10 sectors specified by RBI and start-ups of any sector
- FVCI investments are not subject to pricing guidelines and may be freely negotiated between the buyer and seller

## FVCI Investment Trend in INR and USD



Source: National Securities Depository Limited (NSDL) statistics

### 3.1.4. Non-Resident Indians

- Portfolio investment route is available for investments by NRIs and OCIs
- Appointment of a Custodian is not mandatory
- Investments are allowed in listed equities, debt and any other securities permitted under FEMA rules and regulations
- Individual limit is 5% of the total paid-up equity capital of a listed Indian company on a fully diluted basis and overall composite limit of 10% for all NRIs/ OCIs combined. The aggregate limit of 10% can be raised to 24% by the company via a special board resolution

### 3.1.5. Depository Receipts

Indian companies are permitted to raise capital through issuance of Depository Receipts (DRs), namely, Global Depository Receipts (GDRs) and American Depository Receipts (ADRs), to foreign investors i.e., institutional investors or individuals (excluding NRIs) residing abroad.

A DR is a negotiable instrument in the form of a certificate denominated in foreign currency against the underlying equity shares of an Indian company. DRs are listed on international stock exchanges in specified jurisdictions. The current list of the permissible jurisdictions and international stock exchanges, as specified by SEBI, is given below:

#### 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. Composite Sectoral Caps

Composite sectoral caps refer to the total permissible limit of foreign investment in a sector, encompassing all types of direct and indirect foreign investments, regardless of whether the investment has been made as FDI, FPI, FVCI, Limited Liability Partnerships (LLPs), DRs or NRI investments.

### 3.3. Permitted Investments for Foreign Investors

The table below summarises the types of investment instruments available for the different categories of non-resident/ foreign investors:

Market Segment	Instrument Type	FPI	FDI	FVCI
Equity	Listed equity	Yes	Yes*	Yes*
	Unlisted equity	No	Yes	Yes
	Preference shares (fully, compulsorily and mandatorily convertible)	Yes*	Yes	Yes
	Warrants	Yes*	Yes	Yes
	Corporate bonds (fully and compulsorily convertible)	Yes*	Yes	Yes
	Partly-paid shares	Yes*	Yes	No
Fixed income	Dated Government securities	Yes	No	No
	Treasury bills	Yes*	No	No
	Municipal bonds	Yes	No	No
	Commercial papers	Yes*	No	No
	Repo transactions	Only under VRR*	No	No
	Corporate bonds (Non-convertible***)	Yes*	No	Yes*
	Corporate bonds under default	Yes*	No	No
	Debt instruments issued by banks, eligible for inclusion in the regulatory capital	Yes	No	No
	Credit enhanced bonds	Yes	No	No
	Rupee denominated bonds/ Units issued by infrastructure debt funds	Yes	No	No
	Securitised debt instruments	Yes*	No	No
Mutual Funds	Units of mutual funds	Yes**	No	No
	Exchange-traded funds (ETFs)	Yes	No	No
Derivative Contracts	Index Futures & Options (Exchange-traded)	Yes	No	No
	Stock Futures & Options (Exchange-traded)	Yes	No	No
	Interest Rate Futures (Exchange-traded)	Yes	No	No
	Currency derivatives (Exchange-traded and OTC)	Yes*	No	No
	Cross-currency derivatives (Exchange-traded)	Yes	No	No
	Interest Rate Swaps	Yes*	No	No
Securities Lending and Borrowing (SLB)	Listed equity	Yes <sup>#</sup>	No	No



Market Segment	Instrument Type	FPI	FDI	FVCI
Others	Units of Collective Investment Schemes	Yes	No	No
	Security receipts issued by Asset Reconstruction Companies	Yes	No	No
	Units of Category I Alternative Investment Funds (AIFs)	No	Yes	Yes
	Units of Category II AIFs	No	Yes	No
	Category III AIFs	Yes	Yes	No
	Units of Real Estate Investment Trusts (REITs)	Yes	Yes	No
	Units of Infrastructure Investment Trusts (InvITs)	Yes	Yes	No

- \* Additional asset class-specific and investment route-specific restrictions or conditions may be applicable
- \*\* Units of short-term investment schemes of mutual funds – FPIs are not permitted to invest in liquid and money market mutual funds. Investment in debt mutual funds is reckoned under the corporate bond limits. Investments in mutual funds are not permitted under Voluntary Retention Route (VRR)
- \*\*\* Unlisted corporate bonds are subject to end-use restrictions
- # SLB is only available for F&O traded securities, Group I securities having market-wide position limit  $\geq$  INR 1 billion and average monthly trading turnover  $\geq$  INR 1 billion in the previous six months, and index-based ETFs that has traded on at least 80% of the days over a six-month period and having impact cost of  $\leq 1\%$

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

# 4

## Foreign Direct Investment

Foreign Direct Investment (FDI) is considered a major source of non-debt financial resource for economic development. It is an investment through equity instruments by persons resident outside India, in an unlisted Indian company or in 10% or more of the post issue paid-up equity capital on a fully diluted basis of a listed Indian company.

### 4.1. Regulatory Framework

Investments under the FDI route are governed by the following guidelines:

- Consolidated FDI Policy issued by the 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](https://dpiit.gov.in/sites/default/files/FDI-PolicyCircular-2020-29October2020_0.pdf)
- Under the Foreign Exchange Management Act, 1999 (FEMA)
  - Foreign Exchange Management (Non-debt Instruments) Rules, 2019
  - Foreign Exchange Management (Mode of Payment and Reporting of Non-debt Instruments) Regulations, 2019

The Master Direction on Foreign Investment in India issued by the Reserve Bank of India (RBI) consolidates applicable FEMA directions.

### 4.2. Entry Routes

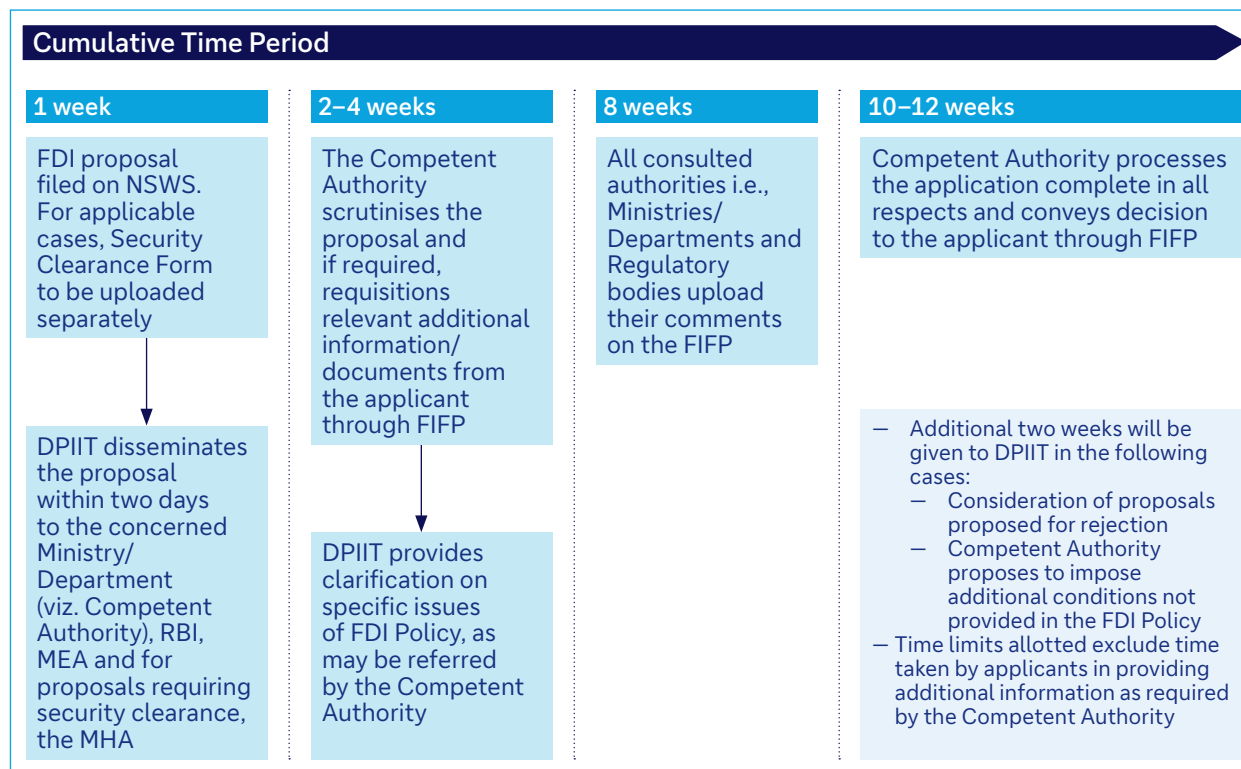
Under the FDI scheme, non-residents can make investments in equity shares, fully and mandatorily convertible preference shares, fully and mandatorily convertible debentures and share warrants issued by an Indian company. Based on the sector in which investment is being made, FDI is permitted through either of the following routes:

- **Automatic Route:** Under this route, investments by a person resident outside India do not require prior approval from the Government of India or the RBI. Sectors allowed under the automatic route, subject to conditions and details thereon, can be accessed at:  
[https://dpiit.gov.in/sites/default/files/FDIPolicy\\_AutomaticRoute\\_26April2023.pdf](https://dpiit.gov.in/sites/default/files/FDIPolicy_AutomaticRoute_26April2023.pdf)
- **Government Route:** Investment by a person resident outside India in certain specified sectors requires prior approval from the Government of India. In addition, an entity from 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 the Government of India. Sectors requiring government approval and details thereon, can be accessed at:  
[https://dpiit.gov.in/sites/default/files/FDIPolicy\\_GovernmentApprovalRequired\\_26April2023.pdf](https://dpiit.gov.in/sites/default/files/FDIPolicy_GovernmentApprovalRequired_26April2023.pdf)

### 4.3. Procedure for Government Approval

Application for government approval should be made online on the National Single Window System (NSWS) of DPIIT and will be reviewed and approved by the respective Ministry/ Department.

#### Application Process Flow and Timelines



#### Additional information:

- As part of FDI application on NSWS ([www.nsws.gov.in](http://www.nsws.gov.in)), applicant must upload supporting documents digitally signed by the authorised person filing the application
- The application is circulated online by DPIIT to RBI for comments from FEMA perspective and to the Ministry of External Affairs (MEA) for information. Security clearance from the Ministry of Home Affairs (MHA) shall be required in the following cases:
  - Investments in Broadcasting, Telecommunication, Satellites – establishment and operation, Private Security Agencies, Defence, Civil Aviation and Mining and mineral separation of titanium bearing minerals and ores, its value addition and integrated activities
  - Applications falling under the purview of Press Note 3 of 2020 (PN3) i.e., an entity of a country, which shares land border with India or where the beneficial owner of an investment into India is situated in or is a citizen of any such country
- Applications involving total foreign equity inflow exceeding INR 50 billion, is placed for consideration of Cabinet Committee on Economic Affairs (CCEA). After receipt of the decision of the CCEA, approval letter shall be issued within one week

The detailed Standard Operating Procedure (SOP) on processing of FDI proposals, can be accessed at: <https://fifp.gov.in/Forms/SOP.pdf>.

## Competent Authorities for Grant of Approval

Sector/ Activity	Administrative Ministry/ Department
Mining	Ministry of Mines
Defence — Items requiring Industrial License under the Industries (Development and Regulation) Act, 1951 and/ or Arms Act, 1959	Department of Defence Production, Ministry of Defence
Manufacturing of small arms and ammunitions, private security agencies	Ministry of Home Affairs
Broadcasting, print media and digital media	Ministry of Information and Broadcasting
Civil aviation	Ministry of Civil Aviation
Satellites	Department of Space
Telecommunication	Department of Telecommunications
Cases pertaining to Government approval route, sectors/ activities requiring security clearance as per extant FEMA Regulations, FDI Policy and security guidelines	Nodal Administrative Ministries/ Departments
Trading (single, multi-brand and food product retail trading)	Department for Promotion of Industry and Internal Trade
Financial services not regulated by any financial sector regulator, foreign investment into a core investment company/ investing company	Department of Economic Affairs
Banking (public and private sectors)	Department of Financial Services
Pharmaceuticals	Department of Pharmaceuticals

### 4.4. Prohibited Sectors

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 farmhouses excluding development of townships, construction of residential/ commercial premises, roads or bridges and Real Estate Investment Trusts (REITs) registered and regulated under the SEBI (REITs) Regulations, 2014
- Manufacturing of cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes
- Activities/ sectors not open to private sector investment, e.g., atomic energy, railway operations, etc.

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

### 4.5. Caps and Conditions on Foreign Investments

Sectoral cap is the maximum limit 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. Sectoral caps are specified in the Foreign Exchange Management (Non-debt Instruments) Rules, 2019.

Investments in certain sectors have specific entry conditions. Such conditions may include norms for minimum capitalisation, lock-in period, etc. Besides the entry conditions, foreign investments/ investors are required to comply with all the relevant sectoral laws, regulations, rules, security conditions and state/ local laws and regulations.

## 4.6. Overview of Investments under FDI Scheme

Particulars	Details
<b>Modes of Investment</b>	<p><b>Fresh issuance:</b> A person resident outside India can invest in fresh issues of equity instruments issued by an Indian company, subject to compliance with the extant FDI Policy and FEMA rules.</p> <p><b>Secondary purchase:</b></p> <ul style="list-style-type: none"> <li>– A person resident outside India may acquire equity instruments of an Indian company by way of transfer (sale or gift) of existing shares by a person resident in or outside India, subject to the adherence to entry route requirements, sectoral caps or investment limits, pricing guidelines and other attendant conditions as applicable for the said investment, along with documentation and reporting requirements as specified from time to time by the RBI in consultation with the Government of India</li> <li># Refer the note below for various scenarios of such transfers</li> <li>– A person resident outside India may purchase capital instruments of an Indian company listed 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 have such control</li> </ul>
<b>Pricing Guidelines</b>	<p><b>Fresh issuance:</b> An Indian company may issue fully paid-up equity shares to a person resident outside India at a price not less than:</p> <ul style="list-style-type: none"> <li>– The price calculated as per SEBI guidelines for a listed company</li> <li>– The valuation of an unlisted Indian company as per internationally accepted methodology and duly certified by a merchant banker/ chartered accountant. The valuation certificate must not be more than 90 days old as on the date of the transfer</li> </ul> <p><b>Secondary purchase:</b> Transfer from a person resident in India to a person resident outside India shall be done at a price not exceeding:</p> <ul style="list-style-type: none"> <li>– The price calculated as per SEBI guidelines in case of a listed company</li> <li>– The valuation of equity instruments done as per internationally accepted pricing methodology for valuation on an arm's length basis duly certified by a merchant banker/ chartered accountant in case of an unlisted Indian company</li> <li>– 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</li> </ul>
<b>Account Structure</b>	<ul style="list-style-type: none"> <li>– 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 securities acquired</li> <li>– Special Non-Resident Rupee (SNRR) account is permitted to be opened for FDI transactions</li> </ul>

Particulars	Details
Mode of Payment and Remittance of Sale Proceeds	<p><b>Mode of payment:</b></p> <ul style="list-style-type: none"> <li>— The amount of consideration shall be paid as below: <ul style="list-style-type: none"> <li>— Inward remittance from abroad through banking channels</li> <li>— Out of funds held in Non-Resident External (NRE)/ Foreign Currency Non-Resident (Bank) (FCNR(B))/ SNRR account/ Repatriable foreign currency account maintained in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016</li> </ul> </li> <li>— The amount of consideration shall include: <ul style="list-style-type: none"> <li>— Issue of equity shares to the investor by an Indian company against any funds payable by it</li> <li>— Swap of equity instruments</li> </ul> </li> </ul> <p><b>Issuance of shares:</b></p> <p>The capital instruments should be issued within 60 days from the date of receipt of remittance. If not issued within the 60-day time period, the amount of consideration should be refunded within 15 days from the date of completion of 60 days.</p> <p><b>Remittance of sale proceeds:</b></p> <ul style="list-style-type: none"> <li>— Sale proceeds of a security (net of applicable taxes) may be remitted outside India or may be credited to any repatriable foreign currency account or SNRR account maintained in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016</li> <li>— Dividends are subject to withholding tax (WHT) provisions and can be repatriated subject to payment of applicable taxes, if any</li> <li>— Interest on fully and mandatorily convertible debentures is also subject to WHT provisions and can be repatriated subject to payment of applicable taxes</li> </ul>

# Notes: A person resident outside India may transfer such equity instruments (or units so held), subject to compliance with conditions prescribed hereunder:

- A person resident outside India holding equity instruments of an Indian company containing an optionality clause and exercising the option or right, can exit without any assured return, subject to the pricing guidelines as prescribed in the Foreign Exchange Management (Non-debt Instruments) Rules, 2019, and a minimum lock-in period of one year or as prescribed for the specific sector/ activity in the Foreign Exchange Management (Non-debt Instruments) Rules, 2019, whichever is higher.
- In case of transfer of equity instruments between a person resident in India and a person resident outside India, an amount not exceeding 25% of the total consideration, may be:
  - paid by the buyer on a deferred basis within a period not exceeding eighteen months from the date of the transfer agreement; or
  - settled through an escrow arrangement between the buyer and the seller for a period not exceeding eighteen months from the date of the transfer agreement; or
  - indemnified by the seller for a period not exceeding eighteen months from the date of the payment of the full consideration, if the total consideration has been paid by the buyer to the seller

Provided that the total consideration finally paid for the shares shall be compliant with the applicable pricing guidelines.
- The transfer of equity instruments of an Indian company or units of an investment vehicle by way of pledge is permissible subject to certain conditions



## 4.7. Regulatory Reporting of Transactions

Reports	Reporting to	Frequency	Responsibility	Remarks
Issuance of shares (Form FC-GPR)	RBI	To be filed within 30 days from the date of issue of shares	Indian company through its Authorised Dealer (AD) Category-I Bank	Responsibility of filing with the issuer
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 receipt/ remittance of funds, whichever is earlier	Resident transferor/ transferee through its AD Category-I Bank	Responsibility of filing with the resident investor

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

# 5

## Foreign Venture Capital Investment

Venture capital investments are seen as an important channel to promote innovation, enterprises and commercialise scientific technology and knowledge-based ideas. The considerable potential of Venture Capital Funds for augmenting the growth of knowledge-based industries is relevant to several areas such as information technology, biotechnology, pharmaceuticals, agriculture, food processing, telecommunications, services, etc.

### 5.1. Legal and Regulatory Framework

Regulator	Applicable regulations/ guidelines
Securities and Exchange Board of India (SEBI)	<ul style="list-style-type: none"> <li>– SEBI (Foreign Venture Capital Investors) Regulations, 2000 (FVCI Regulations)</li> <li>– SEBI (Alternative Investment Funds) Regulations, 2012 (AIF Regulations)</li> <li>– Operational Guidelines for Foreign Venture Capital Investors (FVCIs) and Designated Depository Participants (DDPs)</li> <li>– Master Circular for FVCIs</li> </ul>
Reserve Bank of India (RBI)	<ul style="list-style-type: none"> <li>– Foreign Exchange Management (Non-debt Instrument) Rules, 2019</li> <li>– Foreign Exchange Management (Mode of Payment and Reporting of Non-debt Instruments) Regulations, 2019</li> </ul>

### 5.2. Definitions

Foreign Venture Capital Investor (FVCI)	An investor incorporated and established outside India, registered with SEBI under the FVCI Regulations and proposes to make investments in accordance with these regulations. An FVCI is deemed to be an intermediary under the SEBI Act, 1992 (SEBI Act)
Venture Capital Fund (VCF)	An Alternate Investment Fund (AIF) which invests primarily in unlisted securities of start-ups, emerging or early-stage ventures mainly involved in new products, new services, technology or intellectual property rights, social ventures, Small and Medium Enterprises (SMEs) or infrastructure or other sectors which the government or regulators consider as socially or economically desirable
Venture Capital Undertaking (VCU)	A domestic company which is unlisted at the time of making investment
Investible Funds	The corpus of funds committed for investment in India, net of expenditure for administration and management of the fund

**Start-up**

Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry, defines 'start-up' as:

- A Private Limited Company or Limited Liability Partnership (LLP) incorporated or registered in India
- Has not completed 10 years from the date of incorporation/ registration
- Annual turnover for any of the financial years since incorporation/ registration not exceeding INR 1 billion
- Engaged in innovation, development, deployment or improvement of products/ processes/ services or has a scalable business model with a high potential for employment or wealth creation

## 5.3. Market Entry

Foreign investors seeking to invest in a VCU are required to seek registration under the FVCI Regulations through a DDP, in the form and manner specified by SEBI or the Government of India from time to time.

All FVCIs registered with SEBI prior to January 1, 2025, are required to appoint a DDP for continuance of their FVCI registration.

FVCIs registered before January 1, 2025, who did not engage a DDP before March 31, 2025, for continuance of registration are not permitted to make any further investments and such FVCIs are required to liquidate their extant investments as per the timelines given below:

- Listed securities by March 31, 2026
- Other investments by March 31, 2027

### 5.3.1. Eligibility Criteria

- The applicant should be an entity incorporated or established outside India or in International Financial Services Centre (IFSC)
- The applicant should be a resident of the country whose securities market regulator is a signatory to the International Organization of Securities Commission's (IOSCO) multilateral Memorandum of Understanding (MoU) (Appendix A Signatories) or a signatory to a bilateral MoU with SEBI, provided that an applicant being Government or Government-related investor shall be considered as eligible for registration, if such applicant is a resident in the country as may be approved by the Government of India
- The applicant is a bank, resident of a country whose central bank is a member of the Bank for International Settlements (BIS):
  - Provided that a central bank applicant need not be a member of BIS
  - Provided further that the above condition shall not apply in case the applicant is regulated by the banking sector regulator in its home jurisdiction even if the central bank of that country is not a member of BIS
- The applicant or its Beneficial Owners (BOs) identified in accordance with Rule 9 of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005, shall not be the person(s) mentioned in the Sanctions List notified from time to time by the United Nations Security Council (UNSC) and is not a resident in the country identified in the public statement of Financial Action Task Force (FATF) as:
  - 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
- The applicant is a fit and proper person based on the criteria specified in Schedule II of the SEBI (Intermediaries) Regulations, 2008
- Any other criteria specified by SEBI from time to time

### 5.3.2. Registration Application and Documentation

FVCI applicants must submit the following documents along with registration fee:

- Duly filled application form (Form A), duly signed in wet ink
- Copy of registration/ license certificate issued by the applicant's securities market or banking regulator
- Beneficial ownership details
- KYC documents (refer 'KYC documentation requirements' under Chapter 8 – Section 8.1.1.)

#### Applicable fees

Fee Type	Amount (in USD)
Registration Fee	2,500 + GST @18% = 2,950

### 5.3.3. Conditions of Certificate

Certificate granted is subject to the following conditions:

- FVCI to abide by the provisions of the SEBI Act and the FVCI Regulations
- FVCI to appoint a domestic custodian for the purpose of custody of securities
- FVCI to enter into an arrangement with a designated bank for the purpose of operating a Special Non-Resident Rupee (SNRR) account or Foreign Currency Account (FCA)
- FVCI shall provide necessary information sought by the DDP to review the eligibility of the entity and also keep the DDP informed in case of any change to the factors that impact the eligibility of the entity to continue to be registered as FVCI
- If the FVCI no longer satisfies the eligibility criteria, the foreign venture capital investor shall inform SEBI and the DDP in writing, as soon as possible but not later than seven working days

### 5.3.4. Continuance/ Renewal of Registration

- The FVCI registration granted by DDP is permanent unless suspended/ cancelled by SEBI or surrendered by the FVCI
- FVCI must pay the renewal fee to the DDP for every block of five years to keep the registration in force and intimate any changes in information at least 15 days prior to the expiry date
- Failure to pay the renewal fee by expiry date of FVCI registration will attract an additional late fee for each day of delay in payment of the renewal fee
- If the renewal fee along with late fee is not paid within 30 days from the date of expiry, the certificate of registration of the FVCI shall be liable to be suspended or cancelled

#### Applicable fees

Fee Type	Amount (in USD)
Continuance/ Renewal Fee	100 + GST @18% = 118
Late Fee	5 per day for each day of delay, subject to maximum of 150

**Note:** International or Multilateral Agencies 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, shall be exempted from the payment of registration or renewal fees.

### 5.3.5. Account Structure

For undertaking transactions as FVCI post-receipt of 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 SNRR account with a Category I Authorised Dealer Bank

## 5.4. Other Applicable Norms

### 5.4.1. Name Change

In case the FVCI has undergone a change in name, the request for updating the new name must be submitted by the FVCI to the DDP, accompanied by documents certifying the name change.

Relevant documents for evidencing 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 the Registrar of Companies (or equivalent authority) (wherever applicable) issued, thereby evidencing the name change
- Where the above is not applicable, a Board Resolution or equivalent, authorising the name change
- An undertaking by the FVCI declaring it is a mere name change and does not involve change in beneficial ownership or structure

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

FVCIs undergoing a name change must also apply for change in name in PAN records as soon as possible but not later than seven working days following the name change. The PAN card in the new name is a key requirement in updating downstream platforms (such as banking, depository, KRA) and completing KYC.

### 5.4.2. Home Jurisdiction Compliance

- If a jurisdiction, which was compliant with the eligibility criteria of FVCI Regulations at the time of the grant of registration to an FVCI, 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', then the concerned custodian will not permit such FVCI to make fresh purchases until the jurisdiction is compliant with the eligibility criteria of FVCI Regulations
- The FVCI may sell or continue to hold the securities already purchased by it as per the following timelines, whichever is later:
  - Investments in listed securities within one year from the date of change in status of the jurisdiction and for other investments within two years from the date such change or
  - Until the expiry of its existing registration
- The DDP shall inform SEBI of FVCIs from such non-compliant jurisdiction

### 5.4.3. Change in Material Information

Under the FVCI Regulations, FVCIs are required to notify the DDP and/ or SEBI in writing, if there is any change in material information previously furnished by the FVCI which has a bearing on the certificate granted.

Material changes include any direct or indirect change in the FVCI's structure, ownership or control and are as below:

Topic	Type I	Type II
<b>Definition and Impact</b>	<p>Critical material changes that must be informed by FVCI along with supporting documents. This category includes changes that</p> <ul style="list-style-type: none"> <li>— render the FVCI ineligible for registration</li> <li>— require FVCI to seek fresh registration</li> <li>— render FVCI ineligible to make fresh investments</li> <li>— impact any privileges available or granted to the FVCI under the extant regulatory framework</li> <li>— impact any exemptions available or granted to the FVCI under the extant regulatory framework</li> </ul>	<p>Any material changes other than those considered as 'Type I' material changes. This includes 'deletion of sub-fund/ share classes/ equivalent structure that invests in India'</p>
<b>Compliance Timelines</b>	<ul style="list-style-type: none"> <li>— To be informed as soon as possible and within seven working days of the change</li> <li>— Supporting documents to be provided within 30 days of the change</li> </ul>	<p>To be informed along with supporting documents (if any) as soon as possible and within 30 days of such change</p>
<b>Categories</b>	<ul style="list-style-type: none"> <li>I. Change of Jurisdiction</li> <li>II. Name change on account of acquisition, merger, demerger, restructuring, change of ownership/ control</li> <li>III. Acquisition/ merger/ demerger resulting in cessation of existence of FVCI</li> <li>IV. Restructuring of legal form (e.g. Corporate to trust)</li> <li>V. Change in compliance status of jurisdiction of FVCI and/ or BO, as applicable, in terms of Regulation 4(b), 4(c) or 4(d) of the FVCI Regulations</li> <li>VI. Any information or particulars previously submitted to SEBI or the DDP are found to be false or misleading, in any material respect</li> <li>VII. Any penalty, pending litigation 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</li> <li>VIII. Breach of any of the eligibility criteria as specified under section 5.3.1. above</li> </ul>	<p>Any material change other than those considered as Type I material change</p>
<b>Re-assessment of Eligibility</b>	<p>DDP shall examine all material changes informed by the FVCI and re-assess the eligibility of the FVCI including requiring FVCI to seek fresh registration. However, the DDP shall mandatorily require the FVCI to seek fresh registration in case of 'Type I' material changes listed at Sr. No. I to V in 'Categories' above</p>	
<b>Delays</b>	<p>In case of delay in intimation or submission of supporting documents, the DDP shall inform all such cases to SEBI for appropriate action, within two working days along with reason for delay</p>	



## 5.5. Investment Guidelines

Investment Restrictions	
<b>Permitted Investment</b>	<ul style="list-style-type: none"> <li>– An FVCI may purchase the following securities/ instruments either from the issuer of the securities/ instruments or from any person holding such securities/ instruments               <ul style="list-style-type: none"> <li>– Unlisted securities of an Indian company engaged in 'permitted sectors' (refer below)</li> <li>– Securities issued by an Indian 'start-up' irrespective of the sector of the start-up</li> <li>– Units of a VCF or of a Category I AIF or units of a scheme or of a fund set up by a VCF or by a Category I AIF</li> </ul> </li> <li>– FVCI may acquire/ transfer securities/ instruments to any person resident in or outside India, at a price mutually acceptable to both buyer and seller</li> <li>– Investment in capital instruments of an Indian company will be subject to applicable reporting requirements, sectoral caps, entry routes and attendant conditions as defined under FEMA</li> </ul>
<b>Investment Conditions</b>	<ul style="list-style-type: none"> <li>– Investments to be in accordance with the investment strategy submitted to SEBI</li> <li>– Total funds committed may be invested in a single VCF or AIF</li> <li>– The following investment split must be achieved by the FVCI by the end of its lifecycle:               <ul style="list-style-type: none"> <li>– Minimum 66.67%, i.e., 2/3<sup>rd</sup> of the investible funds to be invested in unlisted equity shares or equity linked instruments of VCU or investee company</li> <li>– Maximum 33.33%, i.e., 1/3<sup>rd</sup> of the investible funds may be invested in:                   <ul style="list-style-type: none"> <li>– IPOs of a VCU or investee company as defined above, whose shares are proposed to be listed</li> <li>– Debt or debt instrument of VCU or investee company in which the FVCI has already made an investment by way of equity</li> </ul> </li> </ul> </li> <li>– Preferential allotment of equity shares of a listed company, subject to a lock-in period of one year</li> <li>– FVCI to disclose the duration of life cycle of the fund</li> <li>– Special Purpose Vehicle (SPV) created for the purpose of facilitating or promoting investment under the FVCI Regulations</li> </ul>
<b>Permitted Sectors</b>	<p>FVCI investments are permitted in the following sectors:</p> <ul style="list-style-type: none"> <li>– Biotechnology</li> <li>– IT related to hardware and software development</li> <li>– Nanotechnology</li> <li>– Seed research and development</li> <li>– Research and development of new chemical entities in pharmaceutical sector</li> <li>– Dairy industry</li> <li>– Poultry industry</li> <li>– Production of biofuels</li> <li>– Hotel-cum-Convention centres with seating capacity exceeding 3,000</li> <li>– Infrastructure sector (includes activities within the scope of 'infrastructure' under the External Commercial Borrowing guidelines/ policies)</li> </ul>

Payment and Remittance	
<b>Mode of Payment</b>	<ul style="list-style-type: none"> <li>– Consideration to be paid as inward remittance from abroad through banking channels or out of funds held in an FCA and/ or SNRR account</li> <li>– Unless specifically permitted otherwise, FCA to be used only and exclusively for FVCI transactions</li> </ul>
<b>Remittance of Sale/ Maturity Proceeds</b>	The sale/ maturity proceeds (net of taxes) of the securities may be remitted outside India or may be credited to the FCA or SNRR of the FVCI

## 5.6. Reporting Requirement

Report	Reporting to	Submission Timeline	Responsibility	Reporting Portal	Regulation
Quarterly report on venture capital activity	SEBI	Within 15 working days from the end of the previous quarter	FVCI	SEBI Intermediary Portal (SI Portal): <a href="https://siportal.sebi.gov.in/intermediary/index.html">https://siportal.sebi.gov.in/intermediary/index.html</a>	<a href="https://www.sebi.gov.in/legal/circulars/sep-2024/reporting-by-foreign-venture-capitalinvestors_86680.html">https://www.sebi.gov.in/legal/circulars/sep-2024/reporting-by-foreign-venture-capitalinvestors_86680.html</a>
Foreign Currency-Transfer of Shares (FC-TRS) – Reporting transfer of equity instruments between FVCI and person resident outside India or a person resident in India	RBI	Within 60 days of transfer of securities OR receipt/ remittance of funds, whichever is earlier	FVCI (transferor)	Foreign Investment Reporting and Management System (FIRMS): <a href="https://firms.rbi.org.in/firms/faces/pages/login.xhtml">https://firms.rbi.org.in/firms/faces/pages/login.xhtml</a>	FEMA (Mode of Payment and Reporting of Non-debt Instruments) Regulations, 2019

## 5.7. Surrender of Registration

FVCI intending to surrender its certificate of registration, may make an application to the DDP along with the below documents:

- SEBI FVCI Registration Certificate
- Closure letter (Annexure Q)

The DDP shall in-turn seek a 'No Objection Certificate' (NOC) from SEBI to process such surrender after ensuring that the holdings of the FVCI in the security account and bank are NIL.

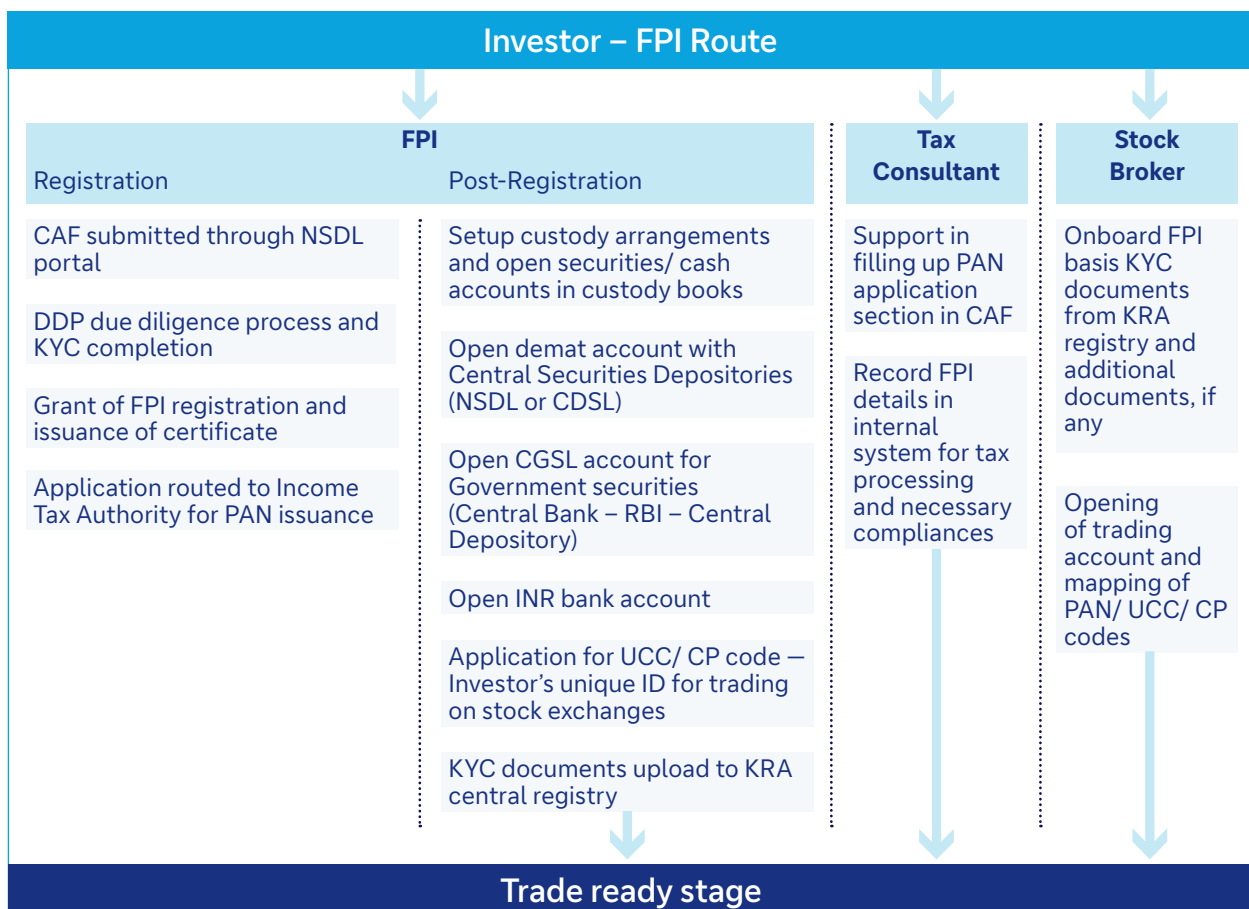
# 6

## Foreign Portfolio Investor (FPI) – Market Entry

### 6.1. Introduction

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

### Foreign Portfolio Investors – Market Entry Flowchart



## 6.2. Designated Depository Participants

A Designated Depository Participant (DDP) is an intermediary approved by SEBI to perform due diligence as per the SEBI (FPI) Regulations, 2019 (FPI Regulations) and grant certificate of registration to FPIs on behalf of SEBI. DDPs should also be a custodian of securities registered with SEBI, an Authorised Dealer Category I Bank authorised by the RBI and a Depository Participant with NSDL and CDSL. The FPI or its Global Custodian (GC) is required to enter into an agreement with the respective DDP to act as the custodian of securities, before making investments under the 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 the following conditions:
  - Contributions by NRI/ OCI/ RI including those of NRI/ OCI/ RI controlled Investment Manager should be:
    - Below 25% of the corpus of the FPI, from a single NRI/ OCI/ RI and
    - In aggregate, below 50% of the corpus of the FPI

Explanation: Resident Indian individual's contribution is permitted, if made through the Liberalised Remittance Scheme (LRS) approved by the RBI, in global funds whose Indian exposure is less than 50%

*(The above two clauses do not apply to the FPIs who invest only in Government securities)*
  - 100% participation by NRI, OCI and RI individuals permitted for FPIs based out of International Financial Services Centres (IFSCs) of India, subject to additional disclosure requirements
  - RIs (other than individuals) can be constituents of FPI provided that the below-mentioned conditions are fulfilled:
    - Such RI (other than individuals) is an eligible fund manager of the applicant, as per Section 9A (4) of the Income Tax Act, 1961 (IT Act)
    - FPI applicant is an Eligible Investment Fund as per Section 9A (3) of IT Act, which has been granted approval under the Income Tax Rules, 1962
  - Alternatively, RIs (other than individuals) can be constituents of FPI provided that:
    - Applicant is an Alternative Investment Fund (AIF) set up in the IFSC and regulated by the IFSC Authority (IFSCA)
    - RI (other than individual) is the sponsor or manager of the applicant
    - Contribution of the RI (other than individual) is:
      - Lower of 2.5% of the applicant's corpus or USD 0.75 million, in case of applicant being Category I or II AIF
      - Lower of 5% of the applicant's corpus or USD 1.5 million in case of applicant being Category III AIF
- NRIs/ OCIs/ RIs cannot be in control of FPIs. However, FPIs can be controlled by investment manager which are owned/ controlled by NRIs/ OCIs/ RIs, 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 set up under Indian laws and appropriately registered with SEBI or
  - FPIs which are 'offshore funds' for which a no-objection certificate has been provided by SEBI in terms of SEBI (Mutual Funds) Regulations, 1996

*(The above clauses do not apply to the FPIs who invest only in Government securities)*

- The applicant is a resident of a country whose securities market regulator is a signatory to International Organisation of Securities Commission's (IOSCO) Multilateral Memorandum of Understanding (MMoU) (Appendix-A Signatories) or a signatory to Bilateral Memorandum of Understanding (MoU) with SEBI
  - Government or Government-related entities from non-IOSCO jurisdictions are eligible for FPI registration, if they are residents 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 the following link: <https://www.iosco.org/about/?subSection=mmou&subSection1=signatories>
  - The list of countries that have a bilateral MOU with SEBI is available at the following link: [http://www.sebi.gov.in/cms/sebi\\_data/internationalAffr/IA\\_BilMoU.html](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 the Bank for International Settlements (BIS). If a central bank is the applicant, then it need not be a member of BIS, provided it has specific approval from the Government of India
  - List of countries whose central bank is a member of the BIS is available at the following link: [http://www.bis.org/about/member\\_cb.htm](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 10% or more of the corpus or identified on basis of control should not be in the 'sanctions list' notified by the United Nations Security Council (UNSC) or a jurisdiction mentioned in public statement of the Financial Action Task Force (FATF) as:
  - A jurisdiction having a strategic Anti-Money Laundering (AML) or Combating the Financing of Terrorism (CFT) deficiencies to which counter measures apply or
  - A jurisdiction that has not made sufficient progress in addressing deficiencies or has not committed to an action plan developed with the FATF to address the deficiencies
  - List of countries that are listed in the public statements issued by FATF is available at <https://www.fatf-gafi.org/en/topics/high-risk-and-other-monitored-jurisdictions.html>
- The applicant is a fit and proper person based on the criteria specified in Schedule II of the SEBI (Intermediaries) Regulations, 2008
- Any other criteria specified by SEBI from time to time

## 6.4. Categorisation

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

Sr. No.	Investor Type	Category
1	Government and Government-related investors such as central banks, sovereign wealth funds, international or multilateral organisations or agencies	I
2	Entities controlled or at least 75% directly or indirectly owned by such Government and Government-related investor	
3	Pension funds and University funds	
4	Appropriately regulated entities such as insurance or reinsurance entities, banks, asset management companies, investment managers, investment advisors, portfolio managers, brokers and swap dealers	
5	Entities from FATF <sup>#</sup> member countries or from a jurisdiction as specified by GOI by order or treaty/ agreement which are: <ul style="list-style-type: none"> <li>– Appropriately regulated funds</li> <li>– Unregulated funds whose investment manager is appropriately regulated and registered as a Category I FPI*</li> <li>– University-related endowments of such universities that have been in existence for more than five years</li> </ul>	
6	An entity whose investment manager is from an FATF-member country, and such an investment manager is registered as a Category I FPI*	
7	Entities which are at least 75% owned, directly or indirectly, by another entity eligible under (3)-(5) above and such eligible entity* is from an FATF-member country	
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	

<sup>#</sup> 'From an FATF-member country' means that the entity has its primary place of business in an FATF-member country and, if regulated, is appropriately regulated in an FATF-member country.

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

Notes to the Categorisation Table:

- **Appropriately regulated** – An entity which is regulated by the securities market regulator (signatory to IOSCO) or the banking regulator (Central Bank which is a member of BIS) of home jurisdiction or otherwise, in the same capacity in which it proposes to make investments in India. An entity incorporated or established in an IFSC shall be deemed to be appropriately regulated
- **Government agency** – An entity in which more than 75% of ownership or control is held by the government of a foreign country
- **Investment manager** – Shall include an entity performing the role of investment manager or any equivalent role, including trustee
- **Re-categorisation** – An FPI desirous of being re-categorised from Category II FPI to Category I FPI can send a request to DDP along with requisite information, documents and payment of applicable fees for Category I registration



## 6.5. FPI Registration Documentation and Fees Requirement

### 6.5.1. Common Application Form

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

- Registration of FPIs with SEBI,
- Allotment of Permanent Account Number (PAN) by the Income Tax Department and
- Opening of Bank and Depository accounts with Custodian including information related to Know-Your-Customer (KYC) for upload to KYC Registration Agency (KRA)

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

### 6.5.2. Registration Documentation

Documentation requirement for registration as FPI:

- CAF and Annexure to CAF
- KYC documentation and other registration documents (refer table in 6.5.2.1)
- Declaration and documents related to granular disclosure

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

#### 6.5.2.1. Additional Registration Documents

Sr. No.	Document	Guidance Comment
1	Memorandum and Articles of Association or any other equivalent formation document	To be Notarised by a Notary Public or certified by a Foreign Multinational Bank (Certification should bear the Name, Date and Designation and the Bank Stamp)
2	Undertaking from Investment Manager	To be obtained, if the entity seeking license is: <ul style="list-style-type: none"> <li>— Unregulated fund from FATF-member countries whose investment manager is regulated and registered as a Category I FPI</li> <li>— An entity whose investment manager is from an FATF member country and such an investment manager is registered as a Category I FPI</li> </ul>
3	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: <ul style="list-style-type: none"> <li>— Pension funds and/ or University funds</li> <li>— Regulated entities such as insurance or reinsurance entities, banks, asset management companies, investment managers, investment advisors, portfolio managers, broker dealers and swap dealers</li> <li>— Regulated funds, University-related endowments (university must have existed for more than five years), Unregulated funds with regulated investment manager who is registered as a Category I FPI</li> </ul>

### 6.5.3. Registration Fee

The registration fee structure is summarised below:

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

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

Note: The DDPs receiving the applicable registration fees from FPIs are responsible for transferring 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. FPI Registration Forms and Links

Particulars	Forms	Links
<b>Application to DDP</b> Application form for Grant of Registration which includes:	Common Application Form: CAF is a digital form hosted online on the NSDL website. (CDSL has also been permitted to accept and process the CAF)	<a href="https://fpi.nsdl.co.in/web/HomePage/FrmHomePage.aspx">https://fpi.nsdl.co.in/web/HomePage/FrmHomePage.aspx</a>
	Annexure to CAF	
	User Registration for CAF portal	<a href="https://www.fpi.nsdl.co.in/web/Users/UserRegistrationForm.aspx">https://www.fpi.nsdl.co.in/web/Users/UserRegistrationForm.aspx</a>

### 6.5.5. Registration Validity and Renewal of Registration

The FPI registration is permanent until cancelled or surrendered. The FPI is required to pay fees once every three years from the date of initial registration to maintain continuance of registration. FPIs need to file their request for continuance of registration along with applicable fees at least 15 days prior to the current validity of its registration.

If fees for continuance are not paid, the FPI registration shall cease to be valid after the date up to which the last registration fees were duly paid by the FPI. FPI needs to have a valid registration if it is holding securities or derivatives positions in India.

If the 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 the DDP.

Documents for 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: <ul style="list-style-type: none"> <li>– Covering letter for renewal of FPI registration</li> <li>– Fees (applicable as per the category in which it is registered)</li> <li>– Declaration, if there are no changes in any information submitted to SEBI/ DDP earlier</li> <li>– In case of any change in information submitted earlier, FPIs to provide the details of the change and supporting documents as applicable to DDP</li> </ul>
Regulatory Approval	To be issued by DDP on behalf of SEBI
Other KYC Document Requirements	Supporting documents for completion of KYC

#### 6.5.5.1. Re-activation of Registration

FPIs are permitted to re-activate their registration within 30 days of the date of expiry of registration by paying the registration fee along with a late fee and subject to compliance with KYC requirements.

Until re-activation of registration within 30 days, the FPI is permitted to only sell securities held in its account, no fresh purchases will be permitted.

#### 6.5.5.2. Renewal Fee

The renewal fee structure is summarised below:

Category	Entities	Late Fee (if any)*	Validity of Registration
I	USD 2,500* + GST @18%	USD 50 per day + GST @18%	3 years
II	USD 250 + GST @18%	USD 5 per day + GST @18%	3 years

\* The late fee is to be calculated from the date of expiry till the value date of the fee received by the DDP/ Custodian. This period should be within 30 days of expiry of the registration.

#### 6.5.5.3. Securities Disposal

An FPI that has failed to re-activate its registration within the prescribed time period may dispose the securities held in its account only post completion of KYC by the Custodian as per the below table:

Timeline	Activity
Disposal period – within 180 days from the expiry of the prescribed 30-day re-activation period	<ul style="list-style-type: none"> <li>– Only sale of existing securities permitted</li> <li>– No purchase of securities allowed</li> <li>– No financial disincentive applicable</li> </ul>
Additional 180-day period, after expiry of the disposal period	<ul style="list-style-type: none"> <li>– Only sale of existing securities permitted</li> <li>– No purchase of securities allowed</li> <li>– Financial disincentive of 5% of the sale proceeds deducted by the respective custodian from the FPI's sale proceeds and to be transferred to SEBI's IPEF (Investor Protection and Education Fund)</li> </ul>
After expiry of the total 360-day period	<ul style="list-style-type: none"> <li>– Securities remaining unsold in the FPI account are deemed to have been compulsorily written off by the FPI</li> <li>– FPI loses any beneficial interest in the said securities including voting rights or any benefits arising from corporate action</li> <li>– Such written off securities will be transferred to a pool account of an Exchange-empanelled Broker, who will try to dispose of such securities and credit the settlement proceeds to the SEBI IPEF</li> </ul>

## 6.6. Requirement of Permanent Account Number

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

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

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

## 6.7. Other Applicable Norms

### 6.7.1. Multi-Managed FPI Entities

Entities engaging in multiple investment managers (MIM structure) are permitted to obtain multiple registrations for each investment manager.

- Such FPIs can appoint different local Custodians/ DDPs for each registration
- Investments made under such multiple registrations will be clubbed for monitoring of investment limit
- Free of cost asset transfers between such Multi-Managed FPIs are permitted if they have the same PAN
- Entity that has already furnished registration details to a DDP at the time of its registration as FPI will not be required to provide the registration documents for each new FPI registration under the MIM structure unless there has been any change in the registration documents provided to the DDP earlier
- Name of its Investment Manager to be disclosed 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

### 6.7.2. Name Change

In case the FPI has undergone a change in name, the request for updation/ incorporation of the 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 the Registrar of Companies (or equivalent authority) (wherever applicable) issued, thereby evidencing the name change
- Where the above is not applicable, a Board Resolution or equivalent, authorising the name change
- An undertaking by the FPI stating that it is a mere name change and does not involve change in beneficial ownership, category or structure

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

FPIs undergoing a name change also have to apply for PAN card reflecting the new name as soon as possible but not later than seven working days. The PAN card in the new name will be required to complete the KYC on the KRA and amend the name in the depository and banking records.

### 6.7.3. 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 the 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 about the FPIs from such non-compliant jurisdictions

#### 6.7.4. Change in Material Information

- Under the FPI Regulations, if there is any change in material information previously furnished by the FPI to the DDP and/ or SEBI which has a bearing on the certificate granted, it shall inform the DDP of the change in such information **within seven working days**
- Material change may include the following:
  - Any direct or indirect change in its structure or ownership or control
  - Change in name, regulatory status
  - Merger, demerger or restructuring
  - Change in category/ sub-category/ structure/ jurisdiction/ name of FPI or beneficial ownership
- The DDP shall examine all such material changes and re-assess the eligibility of the FPI
  - Any change in the material information which has a bearing on the certificate granted by the DDP will be categorised as per the following types:
    - ‘Type I’ changes, which include critical material changes to be informed by FPIs to DDPs as soon as possible and within seven working days of the occurrence of the change and providing supporting documents within 30 days of such change
    - ‘Type II’ changes, which include any material changes other than those categorised under ‘Type I’, are to be informed and supporting documents (if any) to be provided by FPIs to DDPs as soon as possible and within 30 days of such change
- Material change also includes deletion of sub-fund/ share classes/ equivalent structure that invests in India
- Where there is a delay of more than seven days for intimation of material change by the FPI to the DDP for Type I change and 30 days for sharing documents for Type I and Type II changes, the DDP shall inform all such cases to SEBI for appropriate action, if any, within two working days of such change
- FPIs investing only in Government securities (G-Sec) to inform and submit documents related to any material change as soon as possible and within 30 days of such change
- Type I changes are critical material changes that:
  - Render the FPI ineligible for registration
  - Require the FPI to seek fresh registration
  - Render the FPI ineligible to make fresh purchase of securities
  - Impact any privileges (e.g. QIB) available or granted to the FPI under the extant regulatory framework

### 6.7.4.1. Categories of Changes

Below are the categories of material changes:

Type I Changes	Type II Changes
Change of Jurisdiction	Any material changes other than those considered as 'Type I' material changes.  These include 'deletion of subfund/ share classes/ equivalent structure that invests in India'
Name change on account of acquisition, merger, demerger, restructuring, change of ownership/ control	
Acquisition/ merger/ demerger resulting in cessation of existence of the FPI	
Restructuring of legal form/ sub-category (e.g. Corporate to trust)	
Change in regulatory status of the FPI (e.g. regulated to unregulated fund)	
Change in compliance status of jurisdiction of FPI/ Beneficial Owner (BO)	
Reclassification of the FPI from Category I to Category II	
Addition of FPI(s) to any existing/ new investor group(s)	
FPIs obtaining registration under Category I on support of an Investment Manager (IM) and such IM being either removed (temporarily/ permanently) or losing its Category I eligibility	
Breach of prescribed threshold for aggregate contribution of NRIs, OCIs and RIs	
Any information or particulars previously submitted to SEBI or DDP are found to be false or misleading, in any material respect	
Any penalty, pending litigation 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	
Changes which impact any exemption granted in terms of SEBI Circular dated August 24, 2023	
Breach of any of the eligibility criteria of applying for a FPI registration as specified under section 6.3 above	

### 6.7.5. Change in Custodian/ DDP

In case the FPI or its GC wishes to change the local Custodian/ DDP, the request for such change can be:

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

### 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 should not be dealing on behalf of a third party
- If the FPI is from an 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 a quarterly basis to the DDP in a 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 FPI needs 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

### 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 the 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 to the DDP as soon as possible but not later than seven working days.



### 6.7.9. Exemption from Strict Enforcement of Provisions

FPIs can seek exemption from strict enforcement of the provisions of the FPI Regulations, provided:

- The non-compliance is caused due to factors beyond the control of the FPI entity
- The requirement is procedural or technical in nature

The application to SEBI in this regard should be accompanied by a non-refundable fee of USD 1,000 + GST @18%.

### 6.7.10. Exemptions for FPIs investing only in Government securities (called as ‘GS-FPIs’)

FPIs investing only in G-Sec are exempted from the below requirements. These exemption will come into effect from February 8, 2026.

- FPIs investing exclusively in G-Sec under the Fully Accessible Route are not required to furnish investor group details
- GS-FPIs to intimate all material changes and submit the supporting documents as soon as possible and within 30 days of such change
- GS-FPIs shall only pay the fees at the time of renewal of registration. There is no requirement of submitting any change in information document
- The frequency of the periodic KYC review for GS-FPIs will be aligned with the timelines as prescribed by RBI
- New FPI applicants investing only in G-Sec may provide appropriate declarations to their DDPs at the time of their application to be classified as GS-FPIs
- Transition between regular FPI and GS-FPI:
  - Existing FPIs as well as prospective FPIs may transition to GS-FPIs by providing appropriate declaration to their DDPs
  - For such transition, regular FPIs shall divest all its holding in all securities other than Government securities
  - Reverse transition from GS-FPI to regular FPIs is also permitted by submitting necessary declaration to their DDP. Any incremental information (documentation) as applicable to be submitted by the FPI

### 6.7.11. ‘Single Window Automatic and Generalised Access for Trusted Foreign Investors (SWAGAT-FI)’ Framework

A unified registration process across multiple investment routes viz. FPI and FVCI, termed as SWAGAT-FI, has been notified by SEBI. Further details regarding the implementation is yet to be notified. A six month timeframe has been provided for full implementation.

## 6.8. General Obligations and Responsibilities of FPIs

The FPI shall:

- Comply with the provisions of the FPI Regulations, as far as they may apply, including circulars issued thereunder and any other terms and conditions specified by SEBI from time to time
- Forthwith inform SEBI and the DDP in writing if any information or particulars previously submitted to SEBI or DDP are found to be false or misleading in any material respect
- Forthwith inform SEBI and DDP in writing if there is any material change in the information including any direct or indirect change in its structure or ownership or control
- As and when required by SEBI or any other government agency in India, submit any information, record or documents in relation to its activities as an FPI

- Forthwith inform SEBI and the DDP, in case of any penalty, pending litigations or proceedings, findings of inspections or investigations for which action may have been taken or is in the process of being taken by an overseas regulator against it
- Obtain a PAN from the Income Tax Department (PAN is required to be obtained by all FPIs including non-investing FPIs)
- In relation to its activities as FPI, at all times, subject itself to the extant Indian laws, rules, regulations and circulars issued from time to time and provide an express undertaking to this effect to the DDP
- Provide any additional information or documents including beneficiary ownership details of their clients as may be required by the DDP or 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 FATF 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
  - Arm's length relationship between its business of fund management/ investment and its other business(es)
- An FPI shall maintain an appropriate level of knowledge and competency and abide by the provisions of the SEBI Act, regulations made thereunder and the circulars and guidelines, which may be applicable and relevant to the activities carried on by it. Every FPI shall also comply with award of the Ombudsman and decision of the Board under SEBI (Ombudsman) Regulations, 2003
- An FPI shall not make any untrue statement or suppress any material fact in any documents, reports or information to be furnished to the DDP and/ or SEBI
- An FPI shall ensure that good corporate policies and corporate governance are observed by it
- An FPI shall ensure that it does not engage in fraudulent and manipulative transactions in the securities listed on 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 on any stock exchange in India
  - Price rigging or manipulation of prices of securities listed or proposed to be listed on any stock exchange in India
  - Passing of price sensitive information to any person or intermediary in the securities market

## 6.10. Account Structure for FPIs

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 Special Non-Resident Rupee account/ Foreign Currency Account

## 6.11. Risk-based Disclosure

SEBI introduced enhanced disclosure requirements for objectively identified FPIs seeking additional details of ownership and control as per below:

### 6.11.1. Criteria for Disclosure

- I. FPI holding more than 50% of their Indian equity Assets Under Management (AUM) in a single Indian corporate group. List of companies and their respective corporate groups are published by the exchanges
- II. FPI holding more than INR 500 billion of equity AUM in the Indian markets whether individually or along with their investor group (in terms of Regulation 22(3) of the FPI Regulations)

### 6.11.2. Granular Disclosures

Granular disclosures must include all entities/ persons with any ownership interest, economic interest or control in the FPI on a full look-through basis. The disclosure should be made up to the level of all natural persons/ up to entities exempted from providing further details.

Offshore Derivative Instrument (ODI) subscribers of the FPI are also considered as economic interest holders of the FPI and have to be considered while providing additional disclosures.

ODI-issuing FPI shall collect from ODI subscribers, granular details on full look-through basis without any threshold, of all entities holding any ownership, economic interest or exercising control in the ODI subscriber, that fulfil any of the criteria mentioned below:

- ODI subscriber having more than 50% of its equity ODI positions through the ODI-issuing FPI in ODIs referencing to securities of a single Indian corporate group
- ODI subscriber having equity positions worth more than INR 250 billion in the Indian markets. For this clause, equity positions shall include:
  - Equity ODI positions taken by the ODI subscriber through one or more ODI-issuing FPIs
  - Equity ODI positions taken by ODI subscribers (through one or more ODI-issuing FPIs) having common ownership, directly or indirectly, of more than 50% or common control, with the other ODI subscriber
  - Equity holdings of such ODI subscriber as a registered FPI
  - Equity holdings of FPIs having common ownership, directly or indirectly, of more than 50% or common control, with the ODI subscriber

The names of all natural persons/ entities having direct ownership, economic interest and control rights in the FPI shall be identified by the FPI and provided to its DDP/ Custodian as per prescribed format.

#### 6.11.2.1. Exemptions

The following entities will be exempted from making additional disclosures:

- Government and Government-related investors
- Appropriately-regulated Pension Funds (refer Annexure B of SOP issued by SEBI)
- Public Retail Funds (PRFs) (refer Annexure C of SOP issued by SEBI)

- Pooled investment vehicles and regulated pool structures from various jurisdictions (as specified in Annexure D of SOP issued by SEBI):
  - Their holding in an Indian corporate group is under 25% of their overall global AUM at a scheme-level, in case of FPIs falling under Criteria (I) specified in 6.11.1. above
  - Their equity AUM in the Indian markets is below 50% of their overall global AUM at a scheme-level, in case of FPIs falling under Criteria (II) specified in 6.11.1. above
- Exchange Traded Funds (ETFs) – with less than 50% exposure to India and India-related equity securities
- University funds and university-related endowments registered or eligible to be registered as Category I FPI, provided the below conditions are satisfied:
  - Indian equity AUM less than 25% of the global AUM
  - Global AUM exceeding INR 100 billion equivalent
  - Appropriate return/ filing to the respective tax authorities in the FPI's home jurisdiction to evidence the nature of a non-profit organisation exempt from tax
- FPIs investing only in non-equity or debt securities, provided a declaration to that effect is shared with the DDP and the DDP ensures blocking of any equity purchases
- Newly registered FPIs, for the first 90 calendar days from the date of settlement of first trade by the FPIs in equity segment in India
- The constituents of FPI investor group which collectively hold more than INR 500 billion of equity AUM in the Indian markets, shall be exempted from making the additional disclosures if the investor group consists of FPIs that qualify for exemption in terms of any of the criteria mentioned above and the net equity AUM of the investor group, after deducting the AUM of such exempted FPIs, falls below INR 500 billion

After making the aforesaid deductions of AUM of such exempted FPIs, in case the equity AUM of the remaining FPIs of the investor group continues to exceed INR 500 billion, only the non-exempted FPIs of the investor group shall be liable for making the disclosures

FPIs having more than 50% of its India equity AUM in a single corporate group are exempt from additional disclosure requirements subject to:

- The apex company of such corporate group has no identified promoter
- FPI's holding in the corporate group does not exceed 50% of its India equity AUM, after disregarding its holding in the apex company
- The composite holdings of all such FPIs (that meet the 50% concentration criteria excluding FPIs which are either exempted or have disclosed) in the apex company are less than 3% of the total equity share capital of the apex company

Information on such apex companies and utilisation of the 3% breach limit is made publicly available on the NSDL FPI Monitor webpage under 'Monitoring of Utilisation of 3% Breach Limit'.

### Exemptions to ODI-issuing FPIs

The following FPIs will be exempted from providing these disclosures:

- Government and Government-related investors
- Public Retail Funds (PRFs) (refer Annexure C of SOP issued by SEBI)
- Pooled investment vehicles and regulated pool structures from various jurisdictions (as specified in Annexure D of SOP issued by SEBI):
  - their holding in an Indian corporate group is under 25% of their overall global AUM at a scheme-level, in case of FPIs under Criteria (I)
  - their equity AUM in the Indian markets is below 50% of their overall global AUM at a scheme-level, in case of FPIs under Criteria (II)

- ETFs – with less than 50% exposure to India and India-related equity securities
- ODI subscribers that are unable to liquidate their excess ODI positions due to statutory restrictions
- University Funds and University-related Endowments, registered or eligible to be registered as Category I FPI, subject to them fulfilling the following additional conditions:
  - Indian equity ODI positions being less than 25% of global AUM
  - Global AUM being more than INR 100 billion equivalent
  - Appropriate return/ filing to the respective tax authorities in their home jurisdiction to evidence the nature of a non-profit organisation exempt from tax.
- ODI subscriber having more than 50% of its equity ODI positions in ODIs referenced to securities of a single Indian corporate group shall be exempted from making additional disclosures:
  - The apex company of such corporate group has no identified promoter
  - ODIs holding in the corporate group does not exceed 50% of its India equity AUM, after disregarding its holding in the apex company
  - The composite holdings of all such ODI subscribers (that meet the 50% concentration criteria excluding ODIs which are either exempted or have disclosed) and all FPIs that meet the 50% concentration criteria in that corporate group, excluding FPIs which are either exempted or have disclosed, in the apex company are less than 3% of the total equity share capital of the apex company

The SOP is available on the Deutsche Bank website in the following link: [https://country.db.com/india/documents/SOP-for-disclsoures-under-August-24-Circular-Feb-21-2025?language\\_id=1](https://country.db.com/india/documents/SOP-for-disclsoures-under-August-24-Circular-Feb-21-2025?language_id=1).

## 6.12. FPI Outreach Cell

SEBI has launched a dedicated FPI Outreach Cell for providing guidance to prospective FPIs during the pre-application stage, including assistance with documentation and compliance processes and resolving any operational challenges that may arise during the registration process or thereafter. Foreign Portfolio investors can reach out to the FPI Outreach Cell for assistance at [fpioutreach@sebi.gov.in](mailto:fpioutreach@sebi.gov.in).

## 6.13. India Market Access Portal

SEBI launched a dedicated platform for FPIs, called 'India Market Access' ([www.indiamarketaccess.in](http://www.indiamarketaccess.in)), which provides consolidated regulatory and procedural information across different regulations and institutions.

The website is a unified initiative by India's Market Infrastructure Institutions (MIIs)—National Stock Exchange (NSE), Bombay Stock Exchange (BSE), Indian Clearing Corporation Ltd. (ICCL), NSE Clearing Ltd. (NCL), Central Depository Services (India) Ltd. (CDSL) and National Securities Depository Ltd. (NSDL) and provides a 360° digital gateway to facilitate seamless entry and ongoing compliance for foreign investors in India's securities markets.

## 6.14. Reporting Requirements

The table below summarises the reporting requirements for FPI.

Report FPIs	Reporting To	Frequency	Responsibility
Assets Under Custody	SEBI and Depositories (NSDL, CDSL)	Monthly	Custodian
Equity and Debt Transactions	SEBI, RBI and Depositories (NSDL, CDSL)	Daily	Custodian
CSGL reporting of transactions	RBI	Weekly	Custodian
Foreign Exchange Inflow and Outflow details	RBI	Weekly and Monthly	AD Category I Bank
Balances for FPI	RBI	Weekly	AD Category I Bank
Non-trade Data (Dividend, Interest, etc.)	RBI	Quarterly	AD Category I Bank
Breach of Permitted Position Limits in Currency Derivative Segment	SEBI, RBI	On occurrence of the breach	Custodian/ AD Category I Bank

### 7.1. Effects of Categorisation

The table below highlights the differences in the categorisation models applicable for Foreign Portfolio Investors (FPIs).

Sr. No.	Details	FPI Category I	FPI Category II (Other than Individuals, Family Offices and Corporate Bodies)	FPI Category II (Individuals, Family Offices and Corporate Bodies)
1	Fees (Registration/Renewal)	USD 2,950 (+ GST @18%) <sup>1</sup>	USD 295 (+ GST @18%)	USD 295 (+ GST @18%)
2	KYC	Simplified documentation (lesser documents vis-à-vis Category II FPIs)	Enhanced KYC requirements	Enhanced KYC requirements
3	Qualified Institutional Buyer (QIB) Status	Yes (Participation in QIP and IPO is under the QIB category)	Yes (Participation in QIP and IPO is under the QIB category)	No QIB status (Participation in IPO is under the non-institutional category)
4	Margins on Equity Trades	Margins not applicable	Margins not applicable	Upfront margins applicable on T-day
5	Issuance of and Subscription to Offshore Derivative Instruments (ODIs)	Permitted	Not permitted	Not permitted
6	Position Limits on Currency Derivatives Segment	Gross open position limited to higher of: – 15% of the total OI or – Maximum limit specified for each currency pair	Gross open position limited to higher of: – 15% of the total OI or – Maximum limit specified for each currency pair	Gross open position limited to higher of: – 6% of the total OI or – Maximum limit specified for each currency pair

<sup>1</sup> Exemption granted to certain entities: International or multilateral agencies such as World Bank and other institutions established outside India for providing aid, which have been granted privileges and immunities from payment of tax and duties by the Government of India.



Sr. No.	Details		FPI Category I	FPI Category II (Other than Individuals, Family Offices and Corporate Bodies)	FPI Category II (Individuals, Family Offices and Corporate Bodies)
7	Equity Index Derivatives <sup>2</sup>	Index Futures	Position limit – higher of: – INR 5 billion or – 15% of futures OI for that index	Position limit – higher of: – INR 5 billion or – 10% of futures OI for that index	Position limit – higher of: – INR 5 billion or – 5% of futures OI for that index
		Index Options <sup>3</sup>	End of day (EOD) position limits <sup>4</sup> : – Net Future Equivalent (FutEq) OI limit: INR 15 billion – Gross FutEq OI limit: INR 100 billion (i.e., separate limit for gross long FutEq OI and gross short FutEq OI of INR 100 billion is available)		
8	Individual Securities (Single Stock)		Position limit – 30% of the applicable MWPL	Position limit – 20% of the applicable MWPL	Position limit – 10% of the applicable MWPL
9	Interest Rate Futures <sup>5</sup>		Trading member-level position limits. For 8-11 years residual maturity bucket – higher of: – 10% of OI or – INR 12 billion  Across all contracts within other maturity bucket – higher of: – 10% of OI or – INR 6 billion	Trading member-level position limits. For 8-11 years residual maturity bucket – higher of: – 10% of OI or – INR 12 billion  Across all contracts within other maturity bucket – higher of: – 10% of OI or – INR 6 billion	Client-level position limit. For 8-11 years residual maturity bucket – higher of: – 3% of OI or – INR 4 billion  Across all contracts within other maturity buckets – higher of: – 3% of OI or – INR 2 billion
10	Commodity Derivatives <sup>6</sup>		Client-level limits as defined by SEBI from time to time	Client-level limits as defined by SEBI from time to time	A position limit of 20% of the client-level position limit in a particular commodity derivatives contract – similar to the position limits prescribed for currency derivatives
‘T-Day’ = Trade Date; ‘OI’ = Open Interest; ‘MWPL’ = Market Wide Position Limit					

- 2 Entities may take additional exposure in equity index derivatives subject to the following:
- Aggregate short positions in index derivatives (short futures, short calls and long puts) shall not exceed (in FutEq terms for index options and gross notional terms for index futures) the holding of stocks
  - Aggregate long positions in index derivatives (long futures, long calls and short puts) shall not exceed (in FutEq terms for index options and gross notional terms for index futures) the holding of cash and cash equivalent, Government securities, T-Bills and similar instruments
- 3 The following entity-wise intraday limits (FutEq basis) are applicable:
- Net position limit: INR 50 billion
  - Gross position limit: INR 100 billion (i.e. separately both on long and short sides), same as the EOD limit
- 4 Glide path for implementation of end of day position limits for index options is applicable with effect from July 1 to December 5, 2025. Normal implementation shall be effective from December 6, 2025.
- 5 A separate limit of INR 50 billion is permitted to FPIs for taking long position in Interest Rate Derivatives.
- 6 FPIs are permitted to participate in:
- Exchange Traded Commodity Derivatives
  - Only cash-settled non-agricultural commodity derivative contracts and indices comprising such non-agricultural commodities

# 8

## Know-Your-Client (KYC) Framework

The regulatory framework governing the Know-Your-Client (KYC) requirements for foreign investors in India is formulated by the rules, guidelines and principles issued by the Securities and Exchange Board of India (SEBI) and the Reserve Bank of India (RBI) from time to time, which includes (but is not limited to) the following:

- Prevention of Money-Laundering Act, 2002 (PMLA)
- Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 (PML Rules)
- Master Circular for Foreign Portfolio Investors (FPIs), Designated Depository Participants (DDPs) and Eligible Foreign Investors
- Master Direction – KYC Direction, 2016
- Guidelines on Anti-Money Laundering (AML) Standards and Combating the Financing of Terrorism (CFT)/ Obligations of Securities Market Intermediaries under the PMLA and rules framed thereunder

Apart from the KYC requirements outlined in this Chapter, each intermediary may have additional documentation requirements for conducting enhanced due diligence in accordance with respective internal policies. KYC details once updated are also subject to a periodic review process as prescribed by the regulators from time to time.

### 8.1. Overview of KYC for Foreign Investors

#### 8.1.1. KYC for FPI and FVCI

FPIs are classified into two categories, as part of a risk-based approach adopted towards customer identity verification (i.e., KYC). Documentation requirements vary accordingly, as per the category of the FPI. The applicant is required to fill out the standard KYC details in the Common Application Form (CAF) and provide requisite supporting documents as per the applicable category.

## KYC documentation requirements

Document Type	KYC Documentation Details	FPI		FVCI
		Category I	Category II	
<b>Applicant level</b>	Application Form	Required (CAF)	Required (CAF)	Required (Form A)
	Constitutive documents (Memorandum of Association, Certificate of Incorporation, Prospectus, etc.)	Required	Required	Required
	Proof of Address <sup>1</sup>	Required	Required	Required
	PAN	Required	Required	Required
	Board Resolution (BR) <sup>2</sup>	Not required	Required	Required
	FATCA/ CRS Form	Required	Required	Required
<b>Senior Management</b>	List of Directors	Required (Part of CAF)	Required (Part of CAF)	Required (Part of Form A)
<b>Authorised Signatories</b>	List and Signatures <sup>3</sup>	Required	Required	Required
<b>Ultimate Beneficial Owner (UBO)</b>	List of UBO including the details of intermediate BO <sup>4</sup>	Required (Part of CAF)	Required (Part of CAF)	Required (Part of Form A)
	Proof of Identity	Not required	Required	Required

Notes to the table:

- FPI/ FVCI to provide an undertaking that upon demand by Regulators/ Law Enforcement Agencies, the exempted/ relevant document(s) would be submitted to the intermediary
- For Category I FPI coming from high-risk jurisdictions (other than those registered under Regulation 5(a)(i) of the SEBI (FPI Regulations, 2019 (FPI Regulations) i.e., Government and Government-related investors such as multilateral organisations, central banks), the KYC documentation requirements are equivalent to that of Category II FPI
- Category II FPI registered under Regulation 5(b)(i) of the FPI Regulations i.e., appropriately regulated funds not eligible as Category I, must provide KYC documentation as required for Category I FPI. Additionally, Beneficial Owner (BO) details must be provided in specified format
- Valid Foreign Account Tax Compliance Act (FATCA)/ Common Reporting Standard (CRS) documentation to be submitted at the time of account opening
- E-PAN issued by the Central Board of Direct Taxes (CBDT) may also be provided by the FPI/ FVCI. The same would be verified by the intermediary from the Income Tax website
- PAN is not mandatory for UN entities/ multilateral agencies exempt from paying taxes/ filing tax returns in India
- Board Resolution and the Authorised Signatory List 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 an FATF member country
- Existing risk-based KYC requirements applicable to FPIs are applicable to securities account of FDI, FVCI/ DR and FCCB accounts/ entities if the same entities are registered as FPIs

<sup>1</sup> Power of Attorney (POA) having address provided to Custodian is accepted as address proof

<sup>2</sup> POA granted to Global Custodian/ Local Custodian is accepted in lieu of BR. BR and the Authorised Signatory List are not required if SWIFT is used as a medium of instruction.

<sup>3</sup> POA granted to Global Custodian/ Local Custodian is accepted in lieu of Board Resolution (BR). BR and the Authorised Signatory List are not required if SWIFT is used as a medium of instruction.

<sup>4</sup> UBO is not required for Government and related entities. Government issued ID number of the UBO is required for Category II.

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

## Identification and Verification of Ultimate Beneficial Ownership

- BOs are the natural persons who ultimately own or control an FPI/ FVCI and should be identified in accordance with Rule 9 of the PML Rules
- The PML Rules prescribe that the BOs shall be determined as below:

Client type	Nature of Ownership/ Control	Threshold
<b>Company</b>	Controlling ownership interest i.e., ownership of/ entitlement to shares, capital or profits of the company or who exercises control through other means, which includes the right to appoint majority of the directors or to control the management or policy decisions	10%
<b>Partnership Firm</b>	Ownership of/ entitlement to capital or profits of the partnership or who exercises control through other means	10%
<b>Trust</b>	Includes the author, trustee and beneficiaries with interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership	10%
<b>Unincorporated Association of Persons</b>	Ownership of/ entitlement to the property, capital or profits of such association or body of individuals	15%

- Category I FPIs registered under Regulation 5(a)(i) of the FPI Regulations are exempt from providing BO details
- For FPIs coming from 'high-risk jurisdictions', a lower materiality threshold of 10% for identification of BO may be applied, with KYC documentation as applicable for Category II FPIs
- The materiality threshold to identify the BO should be first applied at the level of FPI/ FVCI. Thereafter, the look-through principle to be applied to identify the BO of the material shareholder/ owner entity
  - Only BOs with holdings equal to and above the materiality thresholds in the FPI/ FVCI need to be identified through the look-through principle
  - For intermediate material shareholder/ owner entity, the name, country and details of holding/ control must also be disclosed
  - No further identification and verification of BO required if intermediate shareholder/ owner entity is eligible for registration as Category I FPI under Regulation 5(a)(i) of the FPI Regulations
  - In case no natural person is identified as BO on the basis of ownership or control as per the above procedure, the Senior Managing Official(s) (SMO(s)) of the legal entity would be identified as the BO(s) of the FPI/ FVCI
- BO should not be a person mentioned in United Nations Security Council's Sanctions List or from jurisdiction which is identified in the public statement of FATF as:
  - A jurisdiction having a strategic Anti-Money Laundering (AML) or Combating the Financing of Terrorism (CFT) 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/ FVCIs are required to maintain the list of BOs as identified by the above guidelines and is to be provided in specified format

## Periodic KYC

Based on the risk categorisation of FPIs, the periodicity of KYC review is as follows:

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

In the event of non-submission of KYC documents by the applicable due date for KYC review, no further purchases will be permitted for such FPIs after expiry of the review due date till the intimation of continuance is given by DDP.

### 8.1.2. KYC for FDI

Constitutive documentation requirements as per the type of entity:

Corporate	Copies of the Memorandum of Association, Articles of Association and Certificate of Incorporation
Partnership Firm	Copy of Partnership Deed and Certificate of Registration (if registered)
Trust	Copy of Trust Deed and Certificate of Registration for Registered Trusts

Additional documents required to be submitted by the above entities:

Particulars	Document	Required for Corporate, Partnership Firm and Trust
Entity Level	Proof of Address	Required
	PAN Card	Required
	Financials	Copy of the balance sheets for the last two financial years (to be submitted every year)
	Board/ Partner/ Member Resolution or any other equivalent document permitting investments in the securities market	Required
	FATCA/ CRS Form	Required
	KYC Form – Form 11	Required
	List (Part of KYC Form)	Required
Senior Management (Whole Time Directors/ Partners/ Trustees, etc.)	Proof of Identity	Required
	Proof of Address	Required
	Photographs	Required
	Photographs	Required
Authorised Signatories	List and Signatures	Required
	Proof of Identity	Required
	Proof of Address	Required
	Photographs	Required

Particulars	Document	Required for Corporate, Partnership Firm and Trust
UBO/ Shareholding Pattern	List	Required – until the UBO
	Proof of Identity	Required if UBO with substantial ownership is identified/ SMO
	Proof of Address	Required

## 8.2. Attestation of Documents

KYC documents can be attested by the following entities: Notary Public, officials of Multinational Foreign Banks or any Bank regulated by RBI (Name, Designation and Seal should be affixed on the copy).

## 8.3. Mandatory Attributes (for all Categories)

The following six KYC attributes are mandatory to open new demat accounts, for all categories of entities/ persons, including FPIs, FVCI and FDI:

	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

## 8.4. KYC Registration Agency (KRA)

KRAs have been setup to act as a centralised repository of KYC records in the securities market. KYC documents are uploaded onto the KRA portal to make them accessible to other market intermediaries to complete their KYC requirements.

### 8.4.1. Upload of KYC Information

Custodians or intermediaries like brokers with whom the FPI/ FVCI/ FDI has a contractual arrangement, have to upload all updated KYC information on the KRA portal within 10 days from the date of account opening or receipt of any modification.

### 8.4.2. Consent Mechanism (Applicable Only for FPIs)

To protect the personal information of SMOs, Beneficial Owners and signatories of FPIs, KRAs have introduced a Consent-Based Mechanism (CBM).

- A 'Consent Flag' records whether consent is required for download of KYC information by intermediaries. There is a provision to set this to 'Without Consent' to allow download of KYC information without consent. A notification would be sent to the FPI if any intermediary downloads their KYC information
- FPIs are required to provide name and contact details of authorisers (minimum one, maximum three). Where the consent flag is marked as 'With Consent', a notification would be sent to the email ID(s) of the authorisers requesting consent, whenever any intermediary tries to download the KYC information. On receipt of consent, the KRA will provide access to the intermediary to download KYC details and supporting documents

- When KYC details of client are modified, KRA system will send download of the modified/ updated KYC information to all intermediaries who have either uploaded/ downloaded/ modified KYC information of the specified FPI entity
- Whenever the relationship between an FPI and the intermediary is closed, the respective FPI or intermediary will inform KRAs to delink the KYC

## 8.5. Centralised KYC Records Registry (CKYCRR)

The CKYCRR is the centralised repository of KYC records managed by the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI). CKYC is a 14-digit number linked with the ID proof. Client data is safely stored in electronic format.

- Regulated Entities to upload specific KYC documents in CKYCRR
- CKYCR requirements are exempted for FPIs. It is applicable for foreign entities opening accounts under FVCI or any other category under FEMA



## 9

# Investment Guidelines and Ownership Limits

## 9.1. Overview – Investing in India

FPIs are permitted to invest in the following instruments:

Equity	Fixed Income Market*	Derivative	Hybrid
<ul style="list-style-type: none"> <li>– Equity shares</li> <li>– Preference shares</li> <li>– Warrants</li> <li>– Unit schemes/ ETFs, floated by domestic mutual funds, investing more than 50% in equity</li> <li>– Units of Collective Investment Schemes</li> <li>– Indian Depository Receipts</li> </ul>	<ul style="list-style-type: none"> <li>– Dated Government Securities (G-Secs), State Government Securities (SGSs) and Treasury Bills (T-Bills)*</li> <li>– Listed/ To-be listed* and Unlisted* Corporate Bonds and Debentures issued by a body corporate</li> <li>– Non-Convertible Debentures (NCDs)/ Bonds under default or otherwise</li> <li>– Rupee-denominated Credit Enhanced Bonds</li> <li>– Security Receipts issued by Asset Reconstruction Companies</li> <li>– Debt Instruments issued by Banks eligible for inclusion in regulatory capital (Tier-I and Upper Tier-II instruments of banks)</li> <li>– Commercial Papers*</li> <li>– Municipal Bonds</li> <li>– Unit schemes/ ETF, floated by domestic mutual funds, investing 50% or less in equity</li> <li>– Debt securities issued by InvITs &amp; REITs</li> <li>– Listed non-convertible/ redeemable preference shares or debentures issued in terms of merger/ demerger/ amalgamation</li> </ul>	<ul style="list-style-type: none"> <li>– Index Futures and Options</li> <li>– Stock Futures and Options</li> <li>– Interest Rate Futures</li> <li>– Currency Derivatives</li> <li>– Commodity Derivatives*</li> </ul>	<ul style="list-style-type: none"> <li>– Units of Real Estate Investment Trusts (REITs)</li> <li>– Units of Infrastructure Investment Trusts (InvITs)</li> <li>– Units issued by Category III Alternative Investment Funds (AIFs)</li> </ul>

\*Restrictions Apply (Explained in detail in following sections)

## 9.2. Investment Guidelines – Equity

### 9.2.1. Overview

- FPI investments in equity shares of a company are governed by various limits, like individual investment limit (including FPI belonging to same investor group) as well as aggregate limits, sectoral caps as defined in the FDI policy and FEMA
- FPI investments are permitted only in listed or 'to-be listed' companies' shares pursuant to Initial Public Offer (IPO), Follow-on Public Offer (FPO), rights issue, private placement or shares received through involuntary corporate actions including a scheme of a merger or demerger
- All transactions in the secondary market for equity shares have to be executed through a registered stockbroker on the floor of the stock exchange
- FPIs are permitted to sell off-market unlisted, illiquid, suspended and delisted shares in accordance with the pricing guidelines for such sale as per FEMA Rules

### 9.2.2. Primary Market Investments in Equity

#### I. Initial Public Offer (IPO) and Follow-on Public Offer (FPO)

Key features of IPO and FPO are:

- Issuance is either through a book-building process or fixed price process
- Open to FPIs and Domestic Investors with specific portion allocated to Qualified Institutional Buyers (QIBs)
- 100% margin payment to be blocked through the ASBA\* route
- In the event of non-receipt of minimum subscription (90% of issue), all the application money should be refunded within four days of the issue closure
- FPIs are permitted to participate in the IPO through their custodian/ broker and can apply under:
  - QIB – Category I and Category II FPIs (except Individuals, Corporates and Family Offices)
  - Retail Category – Category II FPI (Individuals, Corporates and Family Offices)
  - Bids once submitted cannot be withdrawn post the issue closing date
  - Upward revision of bids permitted prior to bid closing date. The incremental margin amount must be paid and blocked under ASBA\* at the time of revised bid submission
  - Time period for allotment and listing of public issues is three working days from the issue closure date
- \* Application Supported by Blocked Amount (ASBA) means an application for subscribing to a public issue or rights issue, along with an authorisation to a self-certified syndicate bank to block the application money in a bank account

#### II. Anchor Investor

Is categorised as a QIB, the bidding period for such investors is open one day before the issue opening date. An anchor investor has to fulfil the conditions given below for subscribing to the IPO:

- 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)
- Lock-in: 50% of the portion allotted to anchor investor would be locked in for 90 days and for the balance 50% of portion allotted the lock-in would be for 30 days from the date of allotment

### III. Bids submission process

- An applicant should submit only one application form. However, an applicant may make multiple bids in the same application form, provided it is permitted by the issuer as part of the Offer document
- Multiple application forms, identified on basis of PAN, are liable for rejection, except for the following categories of investors having different beneficiary account numbers, i.e., client IDs and DP IDs:
  - Mutual Funds
  - Bids by Anchor Investors under the Anchor Investor Portion and the QIB Category, FPIs meeting the below criteria:
    - FPIs under the Multi-Investment Manager (MIM) structure
    - Offshore Derivative Instruments (ODIs) which have obtained separate FPI registrations for ODI and proprietary derivative investments
    - Sub-funds or separate class of investors with segregated portfolio who obtain separate FPI registration
    - FPI registrations granted at investment strategy level/ sub-fund level where a Collective Investment Scheme (CIS) or fund has multiple investment strategies/ sub-funds with identifiable differences and managed by a single investment manager or having multiple share classes
    - Multiple branches of foreign banks from different jurisdictions 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 a single bid in the bidding process. The shares allotted in the bid may be proportionately distributed to the applicant FPIs (with same PAN).

### IV. Preferential Issue/ Private Placement

Shares issued to Qualified Institutional Buyers like mutual funds, insurance companies, FPIs, etc.

### V. 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

### VI. Rights Issue

Features of rights issue are as follows:

- The issue is open for a minimum of seven days to a maximum of 30 days and must be completed within 23 working days from the date of Board of Directors of the Issuer approving the issue
- The investor can choose to accept the offer or let the offer lapse
- All rights entitlements to be credited to the demat account of the holder, including those holding shares in physical form prior to the rights issue opening date
- Trading in rights entitlements on the stock exchange platform closes three working days prior to the closure of the Rights Issue

### VII. Offer for Sale (OFS)

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

### 9.2.3. Secondary Market Investments in Equity

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

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

### 9.2.4. Investment Limits in Equity and Monitoring of Limits

#### 9.2.4.1. Foreign Ownership Limit

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

Individual Limit for FPIs (including same investor group)	Aggregate Limit for all FPIs
<ul style="list-style-type: none"> <li>– The investment holding should always be below 10% of the total paid-up equity capital of the company on a fully diluted basis</li> <li>– The 10% limit is applicable across investments in the same listed company through:               <ul style="list-style-type: none"> <li>– ADR/ GDR (post-conversion to underlying equity shares)</li> <li>– FVCI</li> <li>– Participatory Notes/ Offshore Derivative Instruments</li> </ul> </li> </ul>	<p>The maximum permissible investment in the shares of a listed company, jointly by all FPIs together, is the sectoral cap:</p> <ul style="list-style-type: none"> <li>– Unless a lower limit of 24%, 49% or 74% has been set by the company. The limit may be raised to 49% or 74% or the sectoral cap, but once the aggregate limit has been increased to a higher threshold, the Indian company cannot reduce the same to a lower threshold</li> <li>– For sectors in which FDI is prohibited, aggregate FPI investment up to 24% is permitted</li> </ul>

Few key sector-specific limits:

- **Private Sector Banks:** Any acquisition beyond 5% by any investor, foreign or domestic, would require prior approval from the RBI
- **Credit Information Companies:** Any acquisition beyond 1% by FPIs needs to be reported to the RBI
- **Stock Exchanges, Clearing Corporations and Depositories:** While FPIs can acquire/ hold up to 5% of the paid-up equity share capital in a recognised stock exchange or clearing corporation or depository, certain entities like foreign (stock exchange, depository, banking company, insurance company, commodity derivatives exchange) and a bilateral or multilateral financial institution approved by the Central Government, may acquire/ hold, either directly or indirectly, either individually or together with persons acting in concert, up to 15% of the paid-up equity share capital of a recognised stock exchange

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

FPIs having common ownership of more than 50% in the FPI or having common control are considered as 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
  - Insurance companies where segregated portfolio with one-to-one correlation with a single investor is not maintained and
  - 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 the 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 BO identified in accordance with PMLA Rules
  - Where the Government of India has agreements or treaties with other sovereign governments specifically recognising certain entities to be distinct and separate or by an order of the Central Government
  - Investment by World Bank group entities like IBRD, IDA, MIGA and IFC

**9.2.4.3. Limit Monitoring Mechanism of Listed Companies****I. Tracking of Limit for FPIs Belonging to the Same Investor Group: Primary Market**

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

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

The depositories monitor the individual investment limit related to the FPIs belonging to the same investor group and held with different custodians. This is based on end-of-day demat holdings data. The data is reported by the custodians to depositories as below:

- Details of the investor group at the time of registration or at any time of receipt of such details from the FPIs/ due diligence by custodians
- Transactions undertaken by FPIs, reported on T+1 (T being the trade date)
- The depositories then track the investment limits of FPIs belonging to same investor group to ensure it remains below 10% of the paid-up capital of the listed company on a fully diluted basis, at any time

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

- The depositories monitor the foreign ownership limits for FPIs at aggregate level as well as the sectoral cap for secondary market investments
- Foreign investment limits are monitored based on the 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 stock exchanges would display on their website, the available investment headroom, in terms of available shares, for all companies for which the red flag has been activated
- The data on the available investment headroom shall be updated on a daily end-of-day basis as long as the red flag is activated

#### IV. Breach of Limits

##### – Aggregate Limit

- Depositories shall inform the exchanges, which in turn would issue public notification on their website and halt further purchases by foreign investors including FPIs, if the sectoral cap is breached
- The foreign investors are required to divest their excess holding within five trading days from the date of settlement of the trades, by selling shares only to domestic investors
- Method of Disinvestment – Proportionate disinvestment of foreign investment to bring the shareholding within permissible limits (refer to an indicative calculation below<sup>#</sup>):
  - Depending on the limit breached, disinvestment is uniformly spread across all foreign investors including FPIs, who are net buyers in that particular security on the date of breach
  - The investors thus identified are informed of the excess quantity that they are required to disinvest. In the case of FPIs which have been identified for disinvestment of excess holding, the depositories would issue the necessary instructions to the custodians of these FPIs for disinvestment of the excess holding
  - The breach is detected at the end of T+1 day (based on custodial confirmation data) and the announcement of breach is made at the end of T+1 day, hence the foreign investors who have purchased the shares during the trading hours on the T+1 day would need to divest such shares within five trading days from the date of settlement of such trades
  - FPIs which have been advised to disinvest need to do so in the given time frame irrespective of fresh availability of investment headroom during the disinvestment time period or foreign shareholding going below the permissible limit, due to sale by other FPIs
  - There would be no annulment of trades which have been executed on the trading platform of the stock exchanges and which are in breach of the sectoral cap or aggregate FPI limits
  - Failure to disinvest within the disinvestment period would attract regulatory action from SEBI

#### #Calculation of Shares to be Divested in Case of Breach

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

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

Time Of Purchase	Investor	Shares Purchased	Cumulative Purchase	Shares to be Divested	Shares to be Retained
10:00 IST	A	100	100	40	60
11:00 IST	B	150	250	60	90
12:00 IST	C	250	500	100	150
13:00 IST	D	180	680	72	108
14:00 IST	E	80	760	32	48
14:30 IST	F	240	1,000	96	144
Total		1,000		400	600

— **Individual limit**

- In case the investment made by a Foreign Portfolio Investor (individual or along with its investor group) breaches the 10% limit of the total paid-up equity capital of a company on a fully diluted basis, it has the following options:
  - Divesting their holdings within five trading days from the date of settlement of the trades
  - Reclassifying such holdings as FDI subject to the conditions specified by the RBI and SEBI within five trading days from the date of settlement of the trades causing the breach (refer operational details below)

- **Reclassification from FPI to FDI:** In case FPI chooses not to divest, the entire investment in the specific listed company of that FPI (and its investor group) shall be re-classified as investment under FDI. FPIs (along with its investor group) intending to reclassify its FPI holdings as Foreign Direct Investment (FDI) shall follow extant relevant FEMA rules and circulars. Such FPI shall obtain the following approvals/ concurrence before intending to acquire equity instruments beyond the prescribed limit:

- Necessary approvals from the government, including approvals required in case of investment from land bordering countries and also ensure that the acquisition beyond prescribed limit is made in accordance with the provisions applicable for FDI under Schedule I to the rules i.e. adherence to entry route, sectoral caps, investment limits, pricing guidelines, etc.
- Concurrence of the Indian investee company to enable such company to ensure compliance with conditions pertaining to sectors prohibited for FDI, sectoral caps and government approvals

- Post receipt of such intent from FPI, the respective Custodian shall report the same to SEBI, freeze purchase transactions by such FPI in equity instruments of such Indian company, till completion of the reclassification and transfer the equity instruments of such Indian company from its FPI demat account to its demat account maintained for holding FDI investments
- Further, the entire investment held by such FPI shall be reported within the timelines as specified under Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019 in the manner specified below:
  - By the Indian company in form FC-GPR, where the investment beyond the prescribed limit is resulting from fresh issuance of equity instruments by an Indian company to such FPI
  - By the FPI in form FC-TRS, where the investment beyond the prescribed limit is due to acquisition of equity instruments by such FPI in the secondary market
  - AD bank concerned shall report the amount of reclassified foreign portfolio investment as divestment under the LEC (FII) reporting



## 9.2.5. Other Investment Guidelines and Regulatory Reporting Requirements

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

- The initial trigger limit for acquirers to make an open offer of shares under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (SAST Regulations) is 25% of the total shares or voting capital in a company
- An acquirer holding 25% or more of the shares or voting rights in a company can make acquisitions of up to 5% per financial year, without triggering the requirement of making an open offer (Incremental Trigger), provided the acquisition does not result in the acquirer breaching any maximum permissible non-public shareholding limit
- No acquirer shall acquire, directly or indirectly, control over such target company unless the acquirer makes a public announcement of an open offer for acquiring shares of the target company, in accordance with the SAST Regulations
- The open offer for acquiring shares to be made by the acquirer shall be for at least 26% of the total shares of the target company, as of the 10th working day from the closure of the tendering period – tendering period is the period within which other shareholders can tender shares in acceptance of an open offer

### II. Reporting under SEBI (SAST) Regulations, 2011

Particular	Reporting/ Disclosure
Initial Trigger	Any acquirer, together with persons acting in concert with him, acquiring shares or voting rights in a target company, which taken together aggregates to 5% or more of the shares of such target company
Incremental Trigger	Change of more than 2% (even if that change takes holding below 5%) from the last disclosure

- The above reporting needs to be done within two working days of the receipt of intimation of allotment of shares or the acquisition or disposal of shares or voting rights in the target company to:
  - Every stock exchange where the shares of the target company are listed
  - 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

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

- **Unpublished Price Sensitive Information (UPSI):** Information not generally available to the public and which may impact the price of the security
- **Insider:** Anyone in possession of or having access to UPSI to be considered an 'insider', including persons connected on the basis of being in any contractual, fiduciary or employment relationship that allows such person access to UPSI, a person who is in possession or has access to UPSI, immediate relatives would be presumed to be connected persons, with a right to rebut the presumption
- Considering every investor's interest in securities market, advance disclosure of UPSI at least two days prior to trading has been made mandatory in case of permitted communication of UPSI
- Clear prohibition on communication of UPSI has been provided except for legitimate purposes, performance of duties or discharge of legal obligations

## 9.3. Investment Guidelines – Fixed Income

### 9.3.1. Investment Routes and Restrictions

FPIs are permitted to invest in Fixed Income (G-Secs, SGSs, Corporate Debt) under FEMA Master directions (Non-resident Investment in Debt Instruments), 2025, FEMA Debt Instrument Regulations, 2019 and SEBI FPI Regulations, 2019 and any notifications issued thereunder. Key features of these are as below:

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

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

Subject	General route	VRR	FAR
Quantitative Limit on Total Investments	<p>Yes</p> <p><b>Current Limits: (April 2025 - September 2025)</b></p> <p><b>G-Sec</b>            INR 2,792.36 billion (General)            INR 1,482.36 billion (Long-term)</p> <p><b>SGSs</b>            INR 1,262.48 billion (General)            INR 71 billion (Long-term)</p> <p><b>Corporate Bonds</b>            INR 8,221.69 billion</p> <p><b>Current Limits: (Oct 2025 – Mar 2026)</b></p> <p><b>G-Sec</b>            INR 2,894.88 billion (General)            INR 1,584.88 billion (Long-term)</p> <p><b>SGSs</b>            INR 1,347.44 billion (General)            INR 71 billion (Long-term)</p> <p><b>Corporate Bond</b>            INR 8,808.35 billion</p>	<p>Aggregate limit – INR 2,500 billion, allocation would be made on-tap or through auctions</p> <p>The current limit is available on-tap, allocated on 'first come, first served' basis till the limit is fully allotted</p> <p>Limits balance can be checked on the CCIL website: <a href="https://www.ccilindia.com/web/ccil/vrr">https://www.ccilindia.com/web/ccil/vrr</a></p> <p>Individual FPI limit – to the extent the limit is allotted by way of auction or tap, i.e. up to Committed Portfolio Size (CPS)</p>	<p>No quantitative limit applicable. The specified securities will be fully accessible to eligible foreign investors</p> <p>List of securities notified on CCIL website: <a href="https://www.ccilindia.com/web/ccil/fpi-home-page">https://www.ccilindia.com/web/ccil/fpi-home-page</a></p>

Subject	General route	VRR	FAR
Lock-in on Investments	No lock-in provisions on investments. Funds are fully repatriable	No lock-in on securities. However, 75% of the CPS is non-repatriable for a minimum retention period of three years, or higher retention period as per the limit bid by FPI	No lock-in provision, funds are fully repatriable
Eligible Investors	FPIs	FPIs	Eligible non-resident investors: <ul style="list-style-type: none"> <li>— FPIs</li> <li>— NRI</li> <li>— OCIs</li> <li>— Other entities permitted to invest in G-Secs under Debt Regulations</li> <li>— Other non-resident entities investing through ICSDs*</li> </ul>
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) do not exceed 30% of the portfolio under G-Secs category	All G-Secs are permitted	<p>Only specified G-Secs as below:</p> <ul style="list-style-type: none"> <li>— Securities issued after April 1, 2020, with tenure of: <ul style="list-style-type: none"> <li>— 5 years</li> <li>— 10 years</li> </ul> </li> <li>— Securities issued after July 7, 2022, with tenure of: <ul style="list-style-type: none"> <li>— 7 years</li> <li>— All Sovereign Green Bonds issued by the Indian Government in the fiscal year 2022-23 and 2023-24, 2024-25 are designated as 'specified securities' under the FAR</li> </ul> </li> </ul> <p>W.e.f July 29, 2024, RBI has excluded all new securities of 14-year and 30-year tenures from the Fully Accessible Route (FAR). While the existing investment will continue to be reckoned under FAR, new investments by Foreign Portfolio Investors in new Government Securities in 14-year and 30-year tenures issued henceforth shall be either reckoned under the general limits for investments in debt securities by FPIs under MTF or under the Voluntary Retention Route.</p> <p>The list of securities can be accessed below:  <a href="https://www.ccilindia.com/web/ccil/fpi-home-page">https://www.ccilindia.com/web/ccil/fpi-home-page</a> </p>

Subject	General route	VRR	FAR
Investments in SGSs	Yes, with 30% limit restriction on less than one-year residual maturity applicable	Yes	No
Investments in Corporate Debt	Yes, with residual maturity above one year. Further, the requirement of maintaining short term limit of 30% has been done away with	Yes	No
Investments in Commercial Papers	No	Yes	No

\*International Central Securities Depositories – operational guidelines to be notified

Investments in Mutual Fund units	Yes	No	No
Investment in Debt Securities of InvITs/ REITs	Yes	Yes	Not applicable
Security-wise limit in G-Secs and T-Bills	The aggregate foreign ownership limit in each Central Government debt security is 30% of outstanding stock of that security	No such limit	No such limit
Residual Maturity Conditions	Restrictions applicable. Details covered under 9.3.1.1.	No restriction on maturity period	No restriction on maturity period
Concentration Limits	G-sec — General FPIs: 10% of the overall limit in that category — Long-term FPIs: 15% of the overall limit in that category	Not applicable	Not applicable
Single-investor wise Group Exposure Limit for Corporate Bonds	Permitted to invest only up to 50% in a single ISIN (investment prior to April 27, 2018 grandfathered)	No such restriction on exposure. However, if the entity has invested 50% in the ISIN through general route, then they cannot invest balance 50% through VRR	Not applicable, as the route is for investments in specified G-Secs only
End-use Restriction for Investments in Unlisted Bonds	End-use restriction on investment in real estate business, capital market and purchase of land	End-use restriction on investment in real estate business, capital market and purchase of land	Not applicable, as the route is for investments in specified G-Secs only

Subject	General route	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 this route	No separate accounts required. Existing SNRR cash account and securities as used for investments under general route can be used for investments under FAR
Hedging	Permitted, through any currency or interest rate derivative instrument, OTC or exchange traded, to manage their interest rate risk or currency risk	Permitted, through any currency or interest rate derivative instrument, OTC or exchange traded, to manage their interest rate risk or currency risk	Not applicable
Transition between Routes	<ul style="list-style-type: none"> <li>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</li> <li>INR Cash can be freely transferred to VRR cash account and can also be utilised for FAR</li> </ul>	<ul style="list-style-type: none"> <li>Securities held under general route may be moved to this route, however, securities held in VRR cannot move to general route</li> <li>INR cash can be freely transferred to general route and FAR-related cash account only if the 75% of CPS threshold limit is not breached</li> </ul>	<ul style="list-style-type: none"> <li>All existing investments in specified securities at the commencement of this route shall be automatically reckoned under FAR</li> <li>No switch-out of securities from FAR to other routes permitted</li> <li>INR cash can be freely transferred to VRR account and can also be utilised for investments under general route</li> </ul>

## Notes:

- FPIs are not permitted to invest in partly-paid instruments
- Aggregate Limits for the FPIs in each category:
  - G-Secs:** The limit for FPI investment in G-Secs is 6% of the outstanding securities
  - SDLs:** The limit for FPI investment in SDLs is 2% of the outstanding securities
  - Corporate Debt:** The limit for FPI investment in corporate debt is 15% of the outstanding securities

### 9.3.1.1. Additional Points to Be Noted on General Route

#### I. Residual Maturity under general route

G-Sec and T-Bills	Corporate Debt
<p>FPIs are permitted to invest in Central Government Securities (G-Secs), including in Treasury Bills (T-Bills) and State Government Securities (SGSs) without any minimum residual maturity requirement, subject to the below conditions on short-term investments:</p> <ul style="list-style-type: none"> <li>FPIs holding in G-Secs, T-Bills and SGSs, in short-term maturity investments should not exceed 30% of the FPI's total investment in that specified category (G-Sec or SGS)</li> <li>The 30% limit will be reckoned on end-of-day basis</li> <li>If short-term investments consist entirely of investments made on or before April 27, 2018, the short-term investments can exceed the 30% limit</li> </ul> <p>Temporary relaxation provided by RBI as under: Investments made between July 8, 2022 and October 31, 2022 are exempt from the above limit on short-term investments, till the maturity or sale of such investments</p>	<p>The overall limit for FPI investment in corporate bonds is fixed at 15% of outstanding stock of corporate bonds. FPIs are permitted to invest in corporate bonds with a residual maturity of above one year.</p>

**Notes:**

- Short-term maturity investment means investments with residual maturity of less than one year
- Following securities are exempted from the 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 case of amortising bonds

**II. Limit Monitoring Mechanism of Limits under General route**– **G-Sec**

The monitoring of limit utilisation and security-wise limits in G-Secs and SGSs will be done by CCIL on a real-time basis, on the Negotiated Dealing System - Order Matching (NDS-OM) and will be applicable to all the trades where either of the parties to the trade happens to be an FPI. The monitoring of limits can be accessed at: <https://www.ccilindia.com/web/ccil/fpi-home-page>

– **Corporate Debt**

- The primary responsibility of complying with monitoring the corporate debt investment limits is with the FPIs on whose behalf depositories will also monitor the investment limits <https://www.fpi.nsdl.co.in/web/Reports/ReportDetail.aspx?RepID=1>  
<https://www.cdslindia.com/Publications/ForeignPortInvestor.html>
- FPI investment limits (overall basis) and at investor group levels are tracked by the NSDL and CDSL based on the trades reported by the custodian on an end-of-day basis

**III. Security-wise Limit Monitoring under General Route for G-Secs**

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

**IV. Limit Utilisation Conditions for G-Secs**– **Re-investment of limits in G-Secs**

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

– **Sale/ Maturity of the existing investment**

Any proceeds arising out of sale/ redemption of G-Secs acquired from coupon receipts shall be eligible for a re-investment period of two working days

- **Coupon Re-investment**

Coupon re-investment by FPIs in G-Secs and SGSs which was hitherto outside the investment limit, will now be reckoned with in the G-Sec/ SGS limits. FPIs may continue to reinvest coupons without any constraint. However, at the time of periodic re-setting of limits, coupon investments would be added to the amount of utilisation

## V. Conditions for Specific Type of Securities under Corporate Debt

- **Corporate Bonds under default**

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

- FPIs can acquire Non-Convertible Debentures (NCDs)/ Bonds which are under default, either fully or partly, in the repayment of principal on maturity or principal instalment, in the case of an amortising bond (FPIs shall be guided by RBI's definition of an amortising bond in this regard)
- The FPIs who 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

- **Unlisted/ To-be listed Non-Convertible Debentures/ Bonds**

- **Unlisted**

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

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

- **To be listed**

- 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
    - Such securities should be listed within 15 days or if the issue is not meeting the end-use restriction, then FPI shall immediately dispose such investment to either domestic investors or the issuer

*Definition of Real Estate business: Dealing in land and immovable property with a view to earning profit therefrom 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.*

- **Auction Mechanism for Limit not available on tap**

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

Topic	Corporate Debt
Duration of bidding	The bidding shall be conducted for two hours from 15:30 to 17:30 IST
Access to platform	Trading members or custodians
Minimum bid	INR 10 million
Maximum bid	One-tenth of the free limit being auctioned
Tick size	INR 10 million
Allocation methodology	Price time priority
Pricing of bid	Minimum flat fee of INR 1,000 or bid price, whichever is higher
Maximum limit	A single FPI/ FPI group cannot bid for more than 10% of the limits being auctioned
Minimum free limit availability for auction	Free limit is greater than or equal to INR 1 billion. However, if the free limit remains below INR 1 billion for 15 consecutive trading days, auction will be conducted on the 16 <sup>th</sup> trading day
Utilisation period	Time period for investing in debt securities using the allotted limits will be 10 trading days. Limits not utilised within 10 trading days would come back to the pool of free limits
Re-investment period in case of sale/ redemption	Upon sale or redemption of debt, the FPI will have a re-investment period of two trading days. If re-investment is not made within two trading days, then the limits will be clubbed in the pool of free limits
Subsequent auctions	Subsequent auctions would be held 12 trading days from the date of the last auction, subject to the condition that the free limit is greater than or equal to INR 1 billion and the free limit remains below INR 1 billion for 15 consecutive trading days, will be auctioned on the 16 <sup>th</sup> trading day

### 9.3.1.2. Additional Points on VRR

Introduced to encourage long-term investment by FPIs in the Indian debt market, VRR provides greater operational flexibility by easing the restrictions as applicable in the general route.

#### 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 the limits offered)
- Allocation of investment amount to FPIs under VRR would be made on-tap (i.e. allotted

on first come, first served basis) or through auctions. The methodology would be notified as and when the limits are released

- Minimum retention period of the CPS will be three years or as prescribed by RBI from time to time
- The amount invested will be reckoned on face value basis

## II. Auction Process

- FPIs shall bid for two variables either as a single bid or multiple bids:
  - The amount it proposes to invest
  - Retention period of such investment (should be more than the 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 the highest first, until the amounts accepted equals the auction amount
  - In case the amount bid at the lowest accepted retention period (marginal bid), is more than the amount available for allotment then, allocation for lowest bid would be partial such that the total accepted amount equals the auction amount:
    - In case of more than one marginal bids at the retention period, allocation would be in descending order of size of the amount
    - In case of more than one marginal bids with the same amount then the allocation will be done equally
    - If an FPI has been allotted multiple bids in an auction, the CPS shall be reckoned for each bid separately
    - FPI which has got CPS allocated under an auction, it will be eligible to participate in subsequent auction as well

## III. Investment Conditions:

- The retention period will commence from the date of allotment of the investment limit CPS
  - At least 75% of the allotted limit should be invested in securities within three months from the date of allotment
  - The required investment amount of 75% of CPS will be adhered to on an end-of-day basis
  - The rupees 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 general route, then further purchase in the same ISIN through VRR is not permissible
- Income from investments (interest + gains) through VRR, can be re-invested and this can be in excess of the CPS; however, the monitoring of investments will always be at the CPS and re-investments from income can be considered for the adherence of the 75% end-of-day limit
- **Repo and Reverse Repo transactions:** The amount borrowed or lent is restricted to 10% of the CPS under the VRR

#### IV. Other Operational Aspects

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

### 9.3.2. Primary Issuances

#### I. G-Secs and SGSs

- G-Secs are issued by the RBI through Primary Market Auctions and can be subscribed by FPIs, apart from domestic investors
- FPIs may provide details of their bids to custodian or the primary dealer, for submission of the bid on the bidding platform (E-Kuber system of RBI)
- The auction results are announced on the same day by 15:00 IST, for settlement on T+1 basis

#### II. Corporate Bonds – Private Placement through Electronic Book Mechanism

Particulars	Mandatory	Optional
Eligible Securities	<p>All Private Placement of Debt Securities and Non-Convertible Redeemable Preference Shares (NCRPS) by a body corporate, shall be required to be made through EBP if it is:</p> <ul style="list-style-type: none"> <li>– A single issue, inclusive of the greenshoe option is of INR 200 million or more</li> <li>– A shelf issue of multiple tranches, which cumulatively amounts to INR 200 million or more, in a financial year</li> <li>– A subsequent issue, where aggregate of all previous issues by an issuer in a financial year is equal to or exceeds INR 200 million</li> </ul>	<p>An issuer, irrespective of issue size, may choose to access EBP for Private Placement of:</p> <ul style="list-style-type: none"> <li>– Debt securities issued by Municipality</li> <li>– Commercial Papers</li> <li>– Certificate of Deposits</li> <li>– Securitised debt instruments</li> <li>– Security receipts</li> <li>– Units of REITs, SM REITs and InvITs</li> <li>– Debt Securities and NCRPS on private placement basis of issue size less than INR 200 million</li> </ul>
Platform Providers	<ul style="list-style-type: none"> <li>– Stock exchanges</li> <li>– Depositories</li> </ul>	
Framework	<ul style="list-style-type: none"> <li>– Issuer to disclose Private Placement Memorandum (PPM)/ Information Memorandum (IM) and term sheet with details of size, bid open and close date/ time, minimum lot, manner of bidding, allotment and settlement, settlement cycle at least two working days (three days for first-time issuers) prior to the issue opening date</li> <li>– Participants are required to enrol with EBP before entering bids, by completing the necessary KYC requirements</li> <li>– Bidding 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. for public information</li> </ul>	

### 9.3.3. Secondary Market

	Government Securities	Corporate Debt
Transactions	<ul style="list-style-type: none"> <li>– OTC</li> <li>– NDS-OM web-based module/ Market Axxess</li> </ul>	<ul style="list-style-type: none"> <li>– OTC</li> <li>– Stock Exchanges</li> <li>– RFQ (refer details in section 9.3.3.1.)</li> </ul>
Reporting	OTC deals to be reported on NDS-OM by Custodian	OTC deals to be reported on reporting platform of Exchanges
Settlement	Through CCIL	Through clearing corporations of Exchanges
Settlement cycle	<ul style="list-style-type: none"> <li>– OTC transactions: T+1 or T+2</li> <li>– Web-based transactions: T+1</li> </ul>	T+0/ T+1/ T+2
Market trading timings	09:00–17:00 IST	09:00–17:00 IST
Reporting timelines	09:00–20:00 IST on T day	09:00–17:15 IST on T day *All trades that take place after 17:00 IST on the day of the trade shall be reported between 09:00–09:15 IST the next day

#### 9.3.3.1. Request for Quote Platform (RFQ)

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

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

Security type	Market Hours
For T+0 Settlement (All eligible securities except G-Sec, SDL and T-Bills)	09:00–16:00 IST
For T+1 Settlement (All eligible securities)	09:00–17:00 IST
For T+0, T+1 Settlement of CPs and CDs	09:00–17:00 IST

## 9.4. Investment Guidelines – Derivatives

FPIs are allowed to invest in derivatives traded on a recognised stock exchange. Derivatives include Index Futures and Options, Single Stock Futures and Options, Interest Rate Derivatives and Currency Derivatives. For details on Investment Position Limits, please refer to Chapter 7, page 52.

### 9.4.1. Monitoring of Interest Rate Futures (IRFs) Limits

- Aggregate limits of all FPIs taken together at the end of the day will be published on a daily basis by the stock exchanges on their website
- Once 90% of the limit is utilised, stock exchanges shall put in place necessary mechanism to send alerts and publish on their websites the available limit, on a daily basis
- In case of breach of the threshold limit, the FPI whose investment caused the breach will have to square-off their excess position within five trading days or by expiry of the contract, whichever is earlier

### 9.4.2. Currency Derivatives

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

Particulars	Features
OTC – Currency Derivatives	RBI permits Foreign Investors to hedge <ul style="list-style-type: none"> <li>– Up to 100% of their exposure in equity and debt investments</li> <li>– Up to USD 100 million equivalent of notional value (outstanding at any point in time) without the need to establish the existence of underlying exposure</li> </ul>
Exchange Traded Derivatives	FPIs are permitted to deal in currency derivatives with INR as one of the currencies <ul style="list-style-type: none"> <li>– Up to USD 100 million without having to establish existence of underlying exposure</li> <li>– Above USD 100 million or equivalent, underlying exposure to equity and debt should be provided</li> </ul> FPIs are permitted to deal in cross-currency pairs involving USD, EUR, GBP and JPY
Common features	<ul style="list-style-type: none"> <li>– Foreign investors can hedge their anticipated exposure</li> <li>– Derivative contracts can be rolled over on or before the maturity date of the contract</li> <li>– Derivative contracts can be freely cancelled and rebooked</li> <li>– Tenure of derivative contracts should not exceed the tenure of the underlying exposure</li> </ul>

### 9.4.3. Commodity Derivatives

FPIs are permitted to participate in Exchange Traded Commodity Derivatives in India. They are permitted to participate only in cash-settled non-agricultural commodity derivative contracts and indices comprising such non-agricultural commodities

Position Limits:

- FPIs other than individuals, family offices and corporates may participate in eligible commodity derivatives products as 'Clients' and shall be subject to all rules, regulations and instructions, position limit norms as may be applicable to clients, issued by SEBI and stock exchanges from time to time
- FPIs belonging to categories viz., individuals, family offices and corporates will be allowed a position limit of 20% of the client-level position limit in a particular commodity derivative contract

## 9.5. Hybrid Securities (REITs, InvITs and AIFs)

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

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

	REITs	InvITs
Concept	Special Trusts formed to serve as Collective Investment Vehicle, intending to invest the bulk of its money in Real Estate, in order to provide returns to the investors of such Trusts  'REITs assets' includes properties, whether freehold or leasehold basis, whether directly or through a holding company and/ or a SPV	Special Trusts formed to serve as Collective Investment Vehicle, intending to invest the bulk of its money in infrastructure projects, which would increase public participation in infrastructure projects, reduce debt cost for the infrastructure development company and allow investors access to a different class of portfolio to invest in
<b>Issue of Units</b>		
Conditions for Public Offer	<ul style="list-style-type: none"> <li>– A REIT shall make an initial offer of its units by way of public issue only</li> <li>– Value of the REIT assets is at least INR 5 billion</li> <li>– The minimum number of unit holders forming part of the public is 200. Sponsor, its related parties and associates would not be included in this count. If the count is below 200, the entire subscription amount should be refunded</li> </ul>	<ul style="list-style-type: none"> <li>– An InvIT shall make an initial offer of its units by way of public issue only</li> <li>– Value of all the assets owned by InvITs is not less than INR 5 billion</li> </ul>
Offer Size	<ul style="list-style-type: none"> <li>– The initial offer size should be at least INR 2.5 billion and</li> <li>– Units offered to the public through initial offer, should be at least: <ul style="list-style-type: none"> <li>– 25% of the total outstanding units of the REIT and units being offered by way of offer document, if the post-issue capital at offer price is less than INR 16 billion</li> <li>– INR 4 billion, if post-issue capital is more than or equal to INR 16 billion and less than INR 40 billion</li> <li>– 10% of the total outstanding units of the REIT and units being offered by way of offer document, if the post-issue capital at offer price is more than INR 40 billion</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>– The offer size should be at least INR 2.5 billion and</li> <li>– Units offered to the public through initial offer, should be at least: <ul style="list-style-type: none"> <li>– 25% of the total outstanding units of the InvITs, if the post-issue capital at offer price is less than INR 16 billion</li> <li>– INR 4 billion, if post-issue capital is more than or equal to INR 16 billion and less than INR 40 billion</li> <li>– 10% of the total outstanding units of the InvIT, if the post-issue capital at offer price is more than INR 40 billion</li> </ul> </li> </ul>
Maximum Subscription	The maximum subscription from any investor other than sponsor, its related parties and its associates shall not be more than 25% of the total unit capital	The maximum subscription from any investor other than sponsor, its related parties and its associates shall not be more than 25% of the total unit capital
Minimum Investors	200	Public Offer: 20 Private Placement: Five

Allotment	<ul style="list-style-type: none"><li>– Allotment of units or refund of money should be done within four working days from date of closure of issue</li><li>– Units can be issued only in demat form</li><li>– Price of units would be determined using book-building or any other process specified by SEBI</li><li>– 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</li><li>– Proportionate allotment in case of over-subscription</li></ul>	
Offer for Sale	Existing unit holders of REIT and InvIT are allowed to offer units for sale to the public if such units have been held by them for at least one year (prior to the date of filing the offer document)	
Listing and Trading		
Mandatory Listing	Listing on recognised stock exchange mandatory after Initial Public Offer (IPO), within six working days from closure of offer	Listing on recognised stock exchange is mandatory: <ul style="list-style-type: none"><li>– Privately placed units: within six working days from date of the closure of issue</li><li>– Publicly offered units: within six working days of closure of the IPO</li></ul>
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: <ul style="list-style-type: none"><li>– A resolution of the existing unitholders approving the issue of units is passed as per Regulation 22(6) of REITs Regulations/ Regulation 22(5) of InvIT Regulations</li><li>– Units of the same class, as those proposed to be allotted should have been listed on a stock exchange for at least six months before the date of notice convening meeting of unit holders for above resolution</li><li>– The REIT/ InvIT has obtained in-principle approval of the stock exchange for listing of units proposed to be issued</li><li>– The REIT/ InvIT is in compliance with all the conditions for continuous listing and disclosure obligations under the REIT Regulations/ InvIT Regulations</li><li>– 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 the Fugitive Economic Offenders Act, 2018</li><li>– The REIT/ InvIT cannot make any subsequent institutional placement within two weeks from the date of the prior institutional placement</li></ul>	
Strategic Investor		
Definition	‘Strategic Investor’ means below listed investors who invest, either jointly or severally, at least 5% of the total offer size of the REIT/ InvIT or such amount as may be specified by the Board from time to time: <ul style="list-style-type: none"><li>– Infrastructure Finance Company registered with the RBI as a NBFC</li><li>– Scheduled Commercial Bank</li><li>– Multilateral and/ or Bilateral Development Financial Institution</li><li>– Systemically important NBFC registered with the RBI</li><li>– FPI</li><li>– Insurance Company registered with IRDAI</li><li>– Mutual Funds</li></ul>	



Operational Modalities	<p>A REIT or InvIT may invite subscription from strategic investors subject to below:</p> <ul style="list-style-type: none"> <li>– The strategic investors, jointly or severally must invest a minimum of 5% and a maximum of 25% of the total offer size</li> <li>– Investment manager/ manager of InvIT/ REIT should enter into a binding unit-subscription agreement with the strategic investor</li> <li>– Subscription price per unit by the strategic investors to be included in unit-subscription agreement and the amount should be deposited in a special escrow account, prior to opening of the public issue</li> <li>– 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 <ul style="list-style-type: none"> <li>– If the price determined in public issue is higher than the price at which allocation is made to strategic investors, the strategic investor is required to bring in additional amount within two working days from determination of the price in public issue</li> <li>– 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</li> </ul> </li> <li>– The draft offer document/ offer document should disclose details of the unit-subscription agreement</li> </ul> <p>Units subscribed by strategic investors under the unit-subscription agreement will be locked in for a period of 180 days from the date of listing, upon the public issue</p>
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Note:

Trading Lot for privately placed REITs/ InvITs is INR 2.5 million and for public offer is one unit

### 9.5.2. Alternative Investment Funds (AIFs)

Under SEBI (AIFs) Regulations, 2012 (AIF Regulation), AIFs require registration with SEBI under one of three categories.

- **Category I AIF:** Invests in start-up or early-stage ventures or social ventures or SMEs or infrastructure or other sectors or areas which the government or regulators consider as socially or economically desirable and shall include venture capital funds, SME funds, social impact funds, infrastructure funds, special situation funds and such other AIFs
- **Category II AIF:** Funds which do not fall in Category I and III and which do not undertake leverage or borrowing other than as permitted under the AIF regulations
- **Category III AIF:** Funds which employ diverse or complex trading strategies and may employ leverage including through investment in listed or unlisted derivatives. While non-resident investors are permitted to invest in the three categories, FPIs are permitted to invest in only Category III AIFs, up to 25% of the capital of the AIF. All investment conditions and restrictions as applicable to FPIs will be applicable for the Category III AIF

### 9.5.3. Funding of Investments in REITs, InvITs and AIFs

For an FPI, amount of consideration may be paid out of their SNRR account for trading in units of Investment Vehicle such as REITs, InvITs and Alternative Investment Funds (AIFs), listed or to be listed (primary issuance) on the stock exchanges in India.

## 9.6. Investment Guidelines – Offshore Derivative Instruments (ODIs)

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

## 9.6.1. Conditions for Issuance of ODIs under FPI Regulations, 2019

### I. Issue of ODIs

- Can be issued by Category I FPIs and are issued only to persons eligible for registration as Category I FPI
- Can be issued only through a separate dedicated FPI registration with 'ODI' as suffix in the name and under the same PAN (refer section II below for transition provisions). However, separate registration is not required for issuance of ODIs against government securities as underlying
- Cannot be issued with derivatives as reference/ underlying and shall not hedge with derivative positions on stock exchanges. Accordingly, ODIs shall only have securities (other than derivatives) as underlying and shall be fully hedged with the same securities on a one-to-one basis, throughout the tenure of the ODI

### II. Transition Provisions

To allow smooth operationalisation of the aforementioned provisions, SEBI has provided a transition period of one year i.e. up to December 16, 2026 to adhere to below transitory measures:

- ODIs with derivatives as underlying/ reference, issued and outstanding as on the date shall be permitted to be redeemed. However, no renewal of such ODIs shall be permitted
- ODIs with securities (other than derivatives) as underlying/ reference and hedged with derivatives, issued and outstanding as on the date, shall be permitted to be redeemed or hedged with same securities as the underlying/ reference on a one-to-one basis
- ODI issuing FPIs that have ODIs outstanding as on date shall obtain separate dedicated registration, if required to do so. Off-market transfer of assets/ positions will be allowed for FPIs intending to transfer assets/ position from one FPI account to another FPI account to comply with this requirement

### III. Regulatory Fees

Each ODI subscriber needs to remit USD 800 + GST @18% to the FPIs issuing ODIs. The FPIs to deposit the fees with SEBI once every three years beginning April 1, 2017

### IV. KYC Requirements

KYC requirement are as follows:

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

- The prescribed KYC documents are required to be maintained with the ODI issuers at all times and be made available to SEBI on demand
- ODI-issuing FPI shall identify and verify the Beneficial Owners (BOs) in the ODI subscriber entities
- BO and intermediate shareholder/ owner entity with holdings equal to and above the materiality thresholds in the ODI subscriber need to be identified through look-through basis. The list of BOs is to be maintained in the prescribed format as per the FPI master circular
  - ODI-issuing FPIs shall also continue to collect identification document number (such as passport, driving license) of the BOs of the ODI subscribers

- For intermediate material shareholder/ owner entities, name, country and percentage holding shall also be disclosed as per prescribed format as per the FPI master circular
- KYC to be reviewed at periodic intervals:
  - Annually for high-risk clients
  - Every three years for all others
- ODI-issuing FPIs shall file suspicious transaction reports, if any, with the Indian Financial Intelligence Unit, in relation to the ODIs issued by it

## V. Risk-based disclosures by ODI Subscribers

SEBI introduced enhanced disclosure requirements, to be obtained by ODI-issuing FPI from ODI subscribers at granular level based on ownership, economic interest or control on a full look-through basis, up to the level of all natural persons that fulfil the relevant criteria in the specified format and submitted to the depositories.

### — Criteria for Disclosure

- I. ODI subscriber having more than 50% of its equity ODI positions through the ODI-issuing FPI in ODIs referenced to securities of a single Indian corporate group
- II. ODI subscriber having equity positions worth more than INR 250 billion in the Indian markets

Notes: Equity ODI positions shall include:

- Equity ODI positions taken by the ODI subscriber through one or more ODI-issuing FPIs
- Equity ODI positions taken by ODI subscribers (through one or more ODI-issuing FPIs) having common ownership, directly or indirectly, of more than 50% or common control, with the other ODI subscriber
- Equity holdings of such ODI subscriber as a registered FPI
- Equity holdings of FPIs having common ownership, directly or indirectly, of more than 50% or common control, with the ODI subscriber

### — Exemption from Additional Disclosure:

The following entities will be exempted from making additional disclosures:

- Government and Government-related investors
- Public Retail Funds, subject to independent validation of the same by ODI-issuing FPIs
- Exchange Traded Funds (with less than 50% exposure to India and India-related equity securities) and entities listed on the following specified exchanges of the permissible jurisdictions – NASDAQ, NYSE, Tokyo Stock Exchange, Korea Exchange Inc, London Stock Exchange, Euronext Paris, Frankfurt Stock Exchange, Toronto Stock Exchange, India International Exchange, NSE International Exchange
- Pooled investment vehicles registered with/ regulated by a Government/ regulatory authority in their home jurisdiction/ country of incorporation/ establishment/ formation, where:
  - their position in equity ODIs referenced to securities of a single Indian corporate group is below 25% of their overall global AUM at a scheme level, in case of ODI subscribers meeting criteria (I) or
  - their equity position in the Indian markets is below 50% of their overall global AUM at a scheme level, in case of ODI subscribers meeting criteria (II), subject to independent validation of disclosure of such holdings by the ODI-issuing FPIs
- ODI subscribers that are unable to liquidate their excess ODI positions due to statutory restrictions (such as freeze on accounts or positions due to regulatory orders etc.), till the time such restrictions exist

- University Funds and University-related Endowments, registered or eligible to be registered as Category I FPI, subject to them fulfilling the following additional conditions:
  - Indian equity ODI positions being less than 25% of global AUM
  - Global AUM being more than INR 100 billion equivalent
  - Appropriate return/ filing to the respective tax authorities in their home jurisdiction to evidence the nature of a non-profit organisation exempt from tax
- Any of the entities referred in criteria (II) qualifies for exemption and the net equity position of remaining entities referred in criteria (II), after deducting the positions of such exempted entities, falls below INR 250 billion. Post deduction, if the equity positions of the entities continue to exceed INR 250 billion, only the non-exempted ODI subscribers shall be liable for making the granular disclosures
- Where the entity identified on a look-through basis satisfies any of the exemption criteria as mentioned herein, shall not be required to further identify entities having ownership interest, economic interest or control rights of such an entity on a look-through basis
- ODI subscriber having more than 50% of its equity ODI positions in ODIs referenced to securities of a single Indian corporate group shall be exempted from making additional disclosures, subject to the following:
  - The apex company of such corporate group has no identified promoter and
  - The ODI subscriber does not have more than 50% of its equity ODI positions in ODIs referenced to securities of a single Indian corporate group, after disregarding its positions in ODIs referenced to securities of the apex company and
  - The composite position of all such ODI subscribers (that meet the 50% concentration criteria excluding ODI subscribers which are either exempted or have disclosed) and all FPIs that meet the 50% concentration criteria in that corporate group, excluding FPIs which are either exempted or have disclosed, in the apex company is less than 3% of the total equity share capital of the apex company

Notes:

- ODI-issuing FPIs and depositories shall track the utilisation of this 3% limit for apex companies, without an identified promoter, at the end of each day. When the 3% limit is met or breached, depositories shall make this information public before start of trading on the next day
- For any prospective positions in ODI referenced to equity securities of the apex company by ODI subscribers, that meet the 50% concentration criteria in the corporate group, the ODI subscribers shall be required to either realign their positions below the 50% threshold within 10 trading days or make additional disclosures prescribed above. However, no such requirement, to realign or make disclosure, shall be applicable unless the 3% cumulative limit for the apex company continues to be met through the said 10 trading days

## VI. Clubbing of Investment Limits for ODIs

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

**VII. 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 9.6.1(I) and 9.6.1(III) mentioned above
- Prior consent of the ODI-issuing FPI should be obtained for such transfer unless the person to whom the ODIs are to be transferred to is pre-approved by the FPI

**VIII. 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 on any stock exchange in India.

**IX. 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.

**9.6.2. Reporting of Issuance of ODIs/ Participatory Notes by FPIs**

ODI-issuing FPIs have to submit the following reports as per specified format and frequency:

- A monthly summary report and transaction details by the 10<sup>th</sup> of every month for the previous month's transactions
- The ODI issuers are required to capture the details of all the intermediate transfers during the month in the monthly report submitted to SEBI
- Reconfirmation of ODI positions:
  - Reconfirmation of positions by ODI issuers to be done on a semi-annual basis and any divergence from reported monthly data to be informed to SEBI in the format specified
  - Annual certificate on periodic operational evaluation, controls and procedures to be submitted (within one month of end of every calendar year) to SEBI duly signed by the Chief Executive Officer (CEO) or equivalent of the ODI-issuing FPI

## 10.1. Overview

The core activities involved in the clearing and settlement function are:

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

## 10.2. Equities Clearing and Settlement

Settlement Cycle – Equity markets in India follow a T+1 settlement cycle and for select securities there is an optional T+0 settlement cycle also. The T+0 settlement cycle is at the option of the investor.

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 the trading platform to its trading members
- **Clearing Corporations (CCs)** like the NSE Clearing Limited (NCL)/ Indian Clearing Corporation Limited (ICCL) are responsible for post-trade activities on the stock exchange. Clearing and settlement of trades and risk management are the core central functions off CCs who determine the funds/ securities obligations of the clearing member on behalf of their TM/ investor client and ensure that members meet their obligations
- **Trading Members (TMs)** execute trades on the stock exchanges and assist with the settlement of trades. They have the option to give up the trades to custodian clearing members of institutional investors for settlement
- **Clearing Members (CMs)** are responsible for settling the obligations on behalf of the TMs as determined by the CCs. CMs need to make funds and/ or securities available in the designated accounts on the settlement day
- **Custodians** as CMs, settle the 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
- **Securities Depositories (CSDs)** like National Securities Depositories Limited (NSDL) and Central Depository Services Limited (CDSL) provide the electronic transfer of securities and help in the settlement of the dematerialised securities

### I. Interoperability of Clearing Corporations:

While there are multiple stock exchanges and clearing corporations in India, all trades will be settled through one CC as chosen by the CM. 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, utilisation of margin, etc.

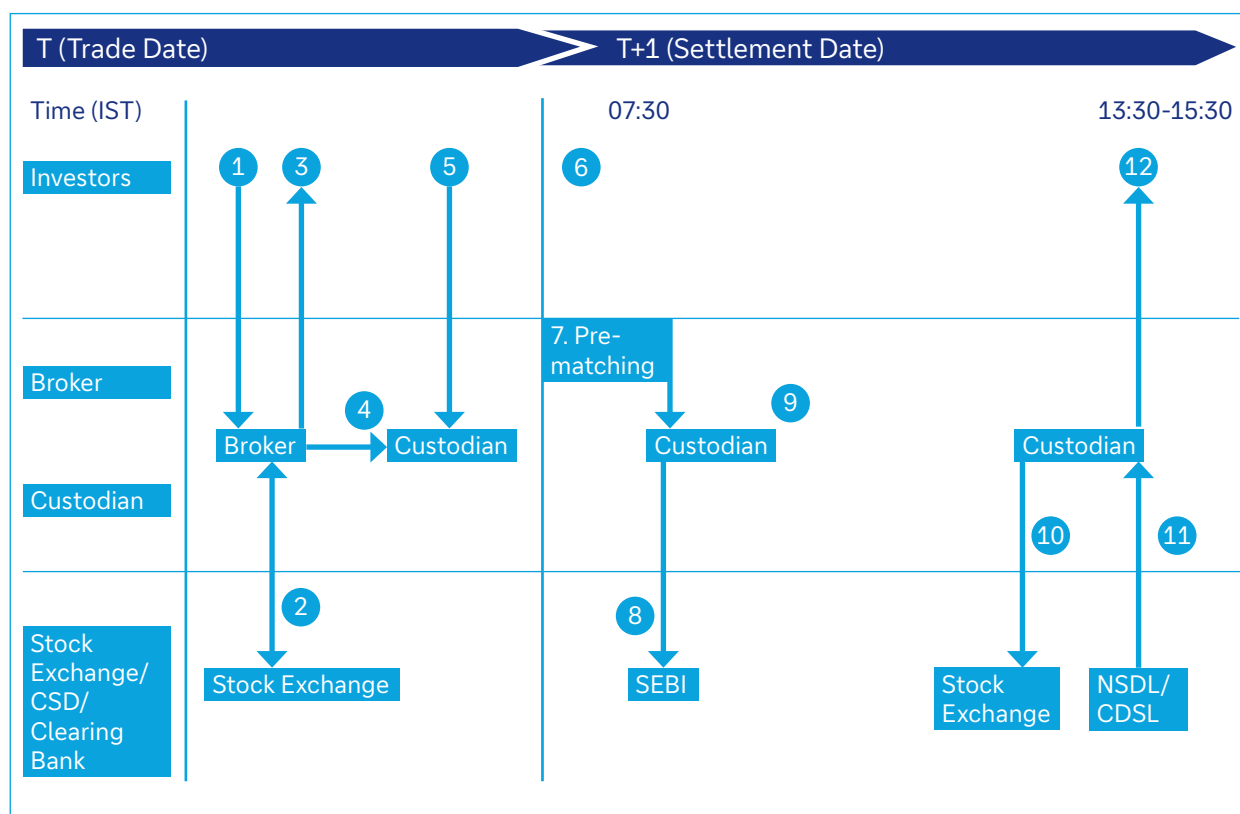
### II. Settlement of Institutional/ Non-Institutional Trades – Listed Securities:

**T+1 Settlement Cycle:** All equity trades executed on the floor of the stock exchange on day T (trade date) flow to the custodian for confirmation on day T. Custodians are required to confirm the trade to their designated CC for settlement, latest by T+1, 07:30 IST. For non-institutional trades, custodians are required to collect margins upfront and report to CC, on T date.

Confirmation of trades can be done on T, latest by 19:30 IST. All confirmed trades will have to be settled by the custodian on T+1.

Pictorial representation of the settlement flow is as below:

## Settlement Flow – Equity Purchase Trade (T+1 Cycle)

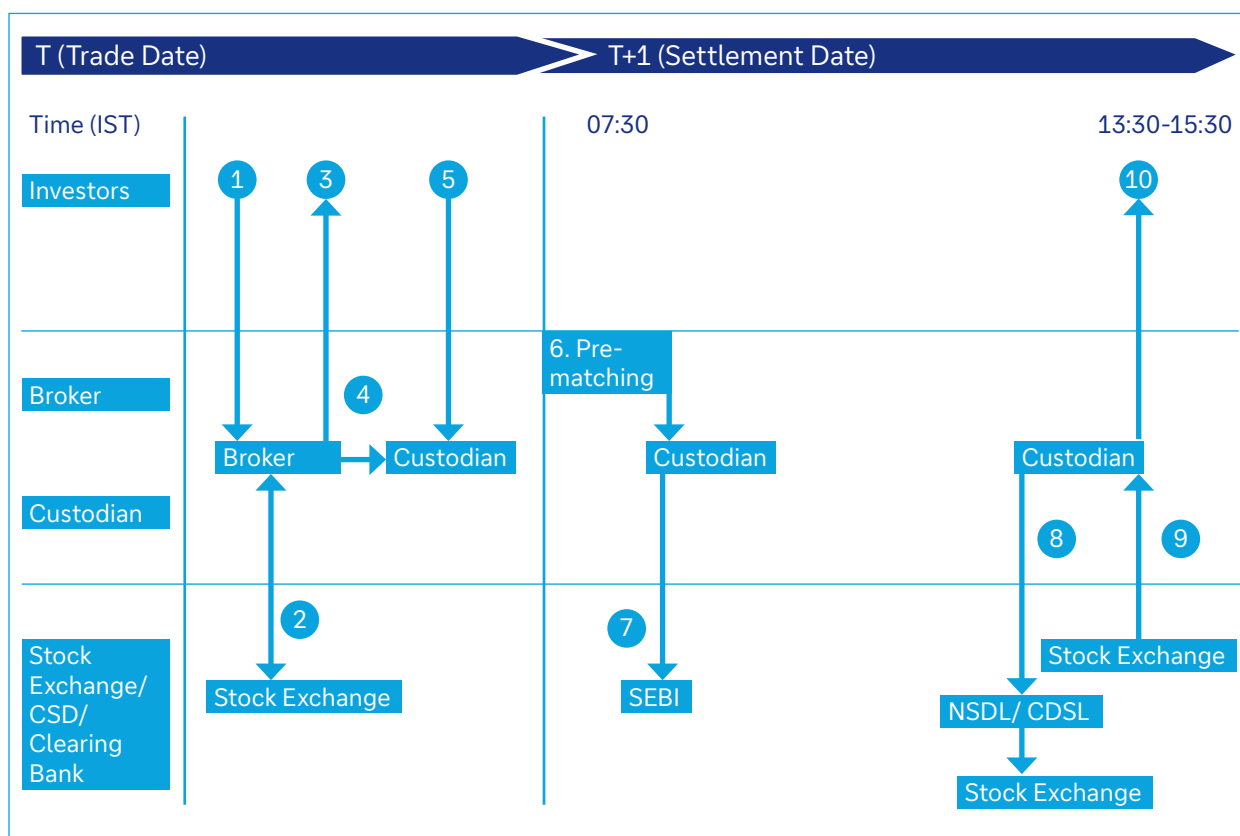


- Investor sends trade instruction to the broker
- Trade executed by the broker on the stock exchange
- Trade confirmation sent by the broker to the investor
- The broker sends the Contract Note to the custodian, via STP gateway, on day T
- The investors send settlement instructions to the custodian on day T/ T+1 morning
- The investors need to arrange for INR funds for full settlement
- Pre-matching and trade confirmation done by 07:30 IST on T+1 by the custodian. For non-institutional investors' trades, margins need to be collected upfront on T date and trade confirmation to be done latest by 19:30 IST on T day
- Reporting of transactions to SEBI
- The investors' bank account maintained with the custodian bank debited for settlement funding on T+1; for non-institutional investors, the amount will be debited on T date
- Payment of settlement value to the exchange through the clearing bank



11. Pay-out of securities via depositories and credited to the investor's security account maintained by the custodian
12. Settlement confirmation sent to the investor

## Settlement Flow – Equity Sell Trade (T+1 Cycle)



1. The investor sends trade instruction to the broker
2. Trade executed by the broker on the stock exchange
3. Trade confirmation sent by the broker to the investor
4. The broker sends Contract Note to the custodian, via STP gateway, on day T
5. The investor sends settlement instruction to the custodian on day T/ T+1 morning
6. Pre-matching and trade confirmation done by 07:30 IST on T+1 by custodian. For non-institutional investors' trades, early pay-in of securities to be done on T date and trade confirmation latest by 19:30 IST on T day
7. Reporting of transactions to SEBI
8. Pay-in of securities by 10:30 IST to the depositories
9. Pay-out of funds received via the clearing bank
10. Credit proceeds to the investor's account and settlement confirmation sent to the investors

### T+0 Settlement Cycle

Timelines for T+0 segment are as below:

**Trade Timings:** 09:00 to 13:30 IST

**Confirmation of the trade by the Custodian:** By 14:45 IST, and

**Settlement of trades in investors account:** By 17:30 IST

Institutional investors can follow the below methods for trading in the T+0 Segment:

- **Trading at Custodian Participant Code (CP Code):** The trades will be executed at each CP code/ account level. Trade confirmation and settlement follow the same mechanism
- **Trading at Family Code:** A group of accounts with multiple CP codes can use the concept of Family Code for trading and settlement. Family Code consists of underlying individual CP codes

tagged to it and maintained at the custodian/ CC. The trade will be executed at the Family Code level, the investor in-turn will share the trade details at the underlying CP code with the broker and the custodian. The broker will issue the Contract Note at CP code level with the investor and custodian. Custodian will subsequently confirm the trade at the Family Code level for settlement. For non-institutional investors, the concept of Family Code does not apply. Non-institutional investors can trade at individual CP code level in the T+0 segment.

### III. Margins in Cash Market

There are no margins applicable to institutional trades (i.e. FPIs registered under Category I and Category II, except individuals, corporate bodies and family offices). Upfront margins are applicable to non-institutional trades. The key margins applicable are:

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

#### Early Pay-In

- Early delivery of funds/ securities to the CC, thereby mitigating any risk of default. Trades for which early pay-in has been affected will not be subject to the margins prescribed above. Non-institutional investors are permitted to make early pay-in of funds and securities to avoid margins on trades
- FPIs in Category II that are Corporate Bodies, Individuals or Family Offices are margined on an upfront basis (T+0), i.e., investor will have to pre-fund their account to the extent of applicable margins before taking position in the market on T day and report to CC
- CMs are required to report to CCs on the margins collected and paid to the CC/ retained by the member. Non-reporting of margin collection, short collection of margin from the investor or false reporting would be liable for disciplinary action/ penalty

### IV. Shortage Handling

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

There is no buy-in mechanism for T+0 segment. Any shortage is closed out on T date itself

### V. Settlement of Unlisted Securities

- The share transfer in case of unlisted equity happens off-market, between the buyer and seller. The transaction needs 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. Refer to section 12.1.8. for details on stamp duty rates
- FPIs are not permitted to invest in unlisted securities

## 10.3. Debt Securities

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

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

NDS-OM is a screen-based, electronic, anonymous order-matching system for secondary market trading in G-Secs. 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 the RBI. These are Primary or Direct Members (PM) of NDS-OM and are permitted by the RBI to become members of NDS-OM.

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

#### I. Holding of Government Securities

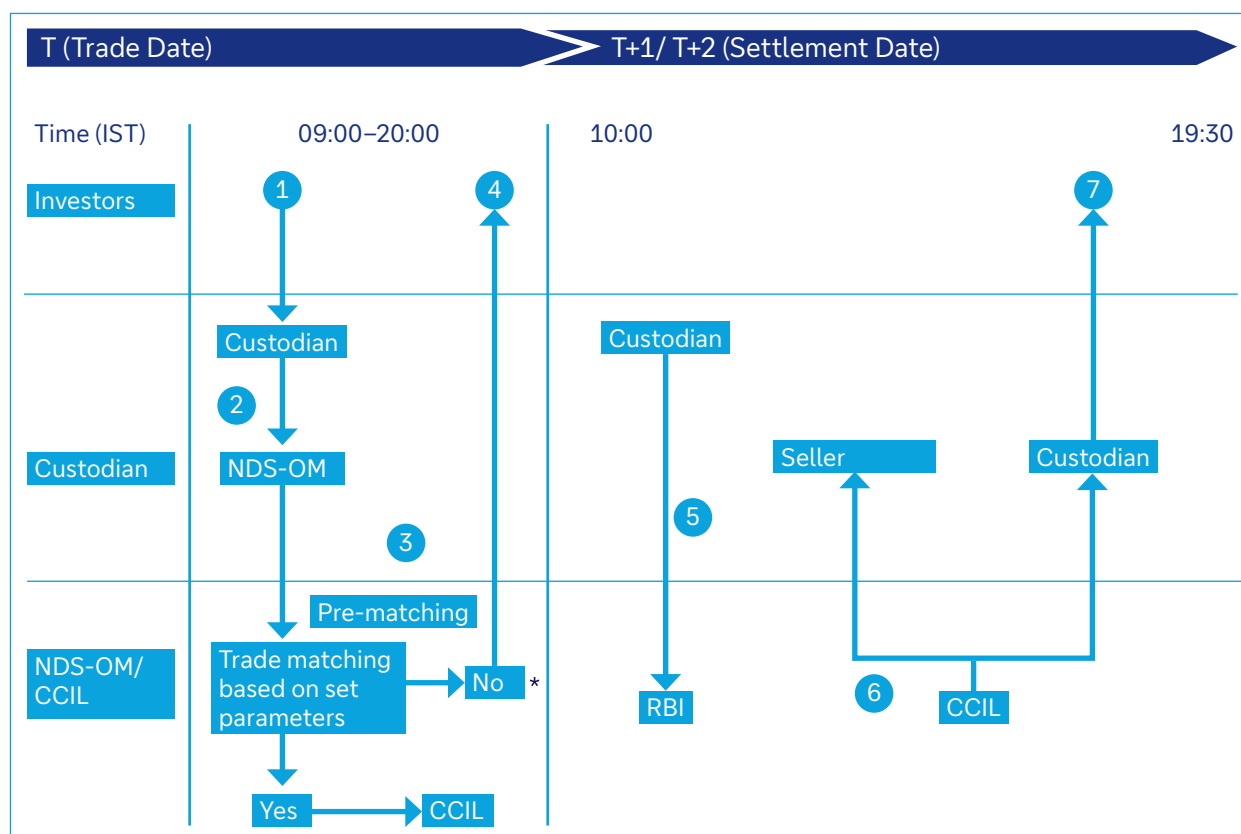
- **RBI as Depository:** All the RBI regulated entities have to hold and transact in, G-Secs only in dematerialised or book entry (SGL) form. The Public Debt Office (PDO) of the RBI, Mumbai, acts as the registry and central depository for G-Secs. The holders can maintain their securities in either of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

#### II. Clearing and Settlement

- **Standard Settlement:** All outright secondary market transactions in G-Secs are settled on a T+1 basis
- **Exceptions for FPIs:**
  - FPIs have the flexibility to settle their OTC transactions in G-Secs on either a T+1 or T+2 basis, depending on the mutual agreement between the counterparties
  - Regardless of the settlement period chosen, these transactions must be reported on the NDS-OM reporting platform on the same day the trade is executed
  - All other settlement conditions that apply to T+1 transactions will also apply to those settled on a T+2 basis

- **NDS-OM Web-Platform:** Transactions executed by FPIs through the NDS-OM web-platform will be settled on a T+1 basis
- **Direct Trading:** FPIs are allowed to trade in G-Secs directly without the need to use a broker's services

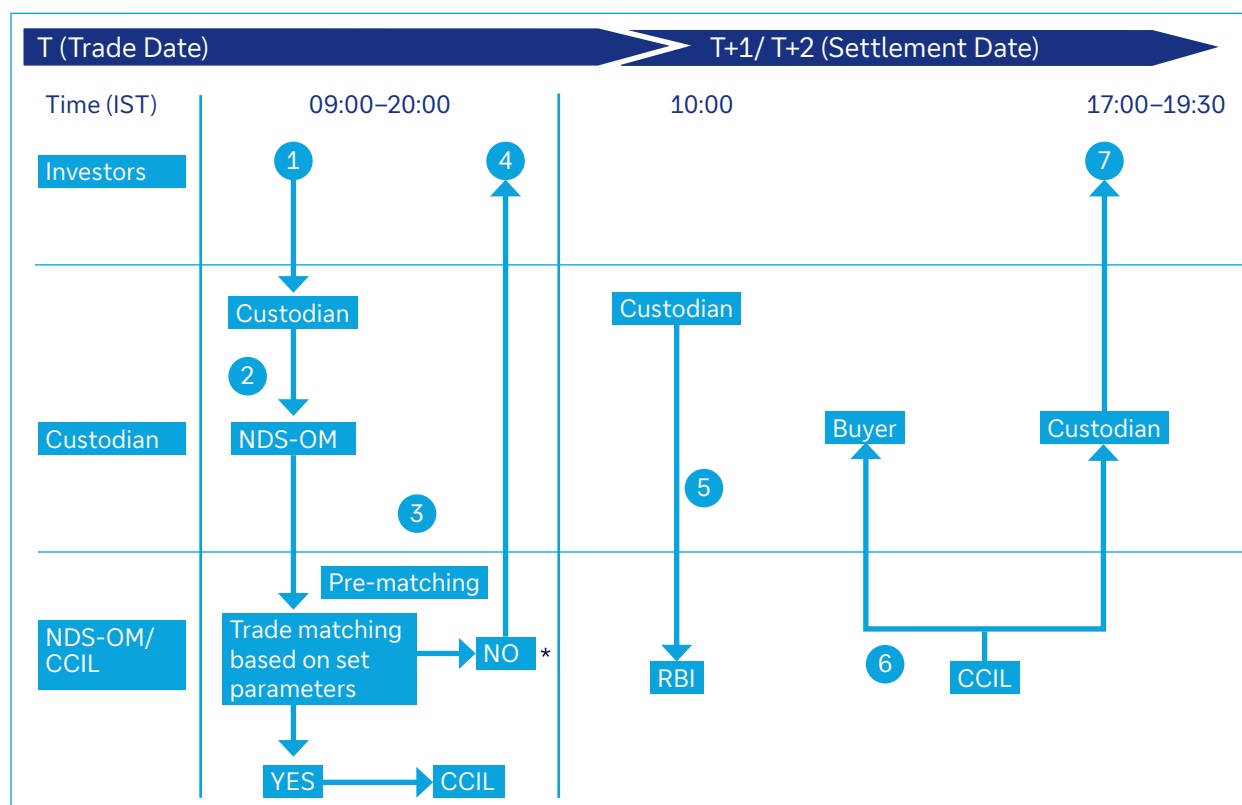
## Settlement Flow – G-Sec Purchase Transaction



1. Investor 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 17:00 IST on the trade date. FPIs have been permitted to report trade within three hours after the close of trading hours for G-Secs market, i.e., till 20:00 IST on Trade date
3. Pre-matching is done with the counter-party based on set parameters. Matched trades are transferred to CCIL for settlement
4. Notification to investors for unmatched trades
5. Debit settlement amount from the investor's account and make payment to RBI on settlement date (T+1 or T+2)
6. CCIL transfers funds to the seller's PM RBI account and securities to the buyers CSGL account for further credit to investor account by custodian/ PM
7. Settlement confirmation sent to the investor

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

## Settlement Flow – G-Sec Sell Transaction



1. Investor 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 17:00 IST on Trade date. FPIs have been permitted to report trade within three hours after the close of trading hours for G-Secs market, i.e., until 20:00 IST on Trade date
3. Pre-matching done with the counter-party based on set parameters. Matched trades are transferred to CCIL for settlement
4. Notification sent to investor for unmatched trade
5. Securities are debited from the investor's Gilt account
6. CCIL transfers funds to the seller's PM account at RBI and securities to the buyers CSGL account for further credit to investor gilt account held with custodian/ PM
7. Credit investor's cash account and send a settlement confirmation to the investor

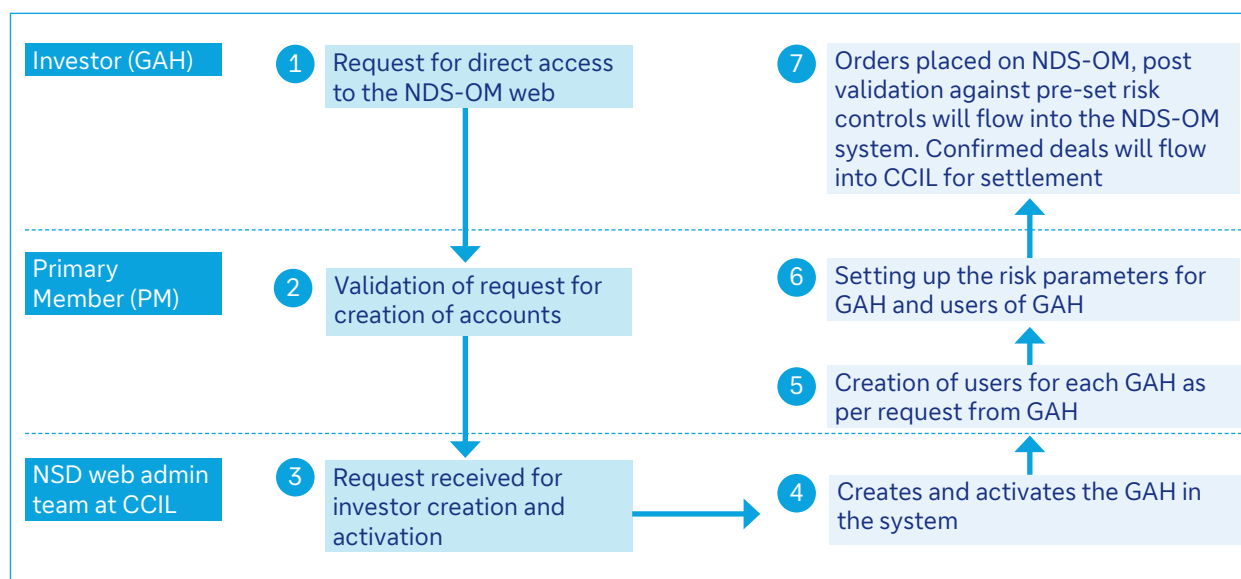
\*Trades remaining unmatched in the NDS-OM platform and are cancelled at the end of the day.

### III. NDS-OM Web Module

To enhance the access of GAH to NDS-OM, an internet-based web application is provided to such investors who can have direct access to NDS-OM. The internet-based utility permits GAHs to directly trade (buy and sell) in G-Secs in the secondary market. The access, however, is subject to controls by respective PMs with whom GAHs have Gilt accounts and current accounts.

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

## Steps in Granting NDS-OM Web Access to Investor



To prevent unauthorised access and to ensure non-repudiation, the 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 DSC should be issued by one of the approved agencies by MeITY.

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.

Advantages of using NDS-OM web module for the FPIs:

- GAH will have access to the same order book of NDS-OM as the Primary Members
- GAH will be able to place/ modify/ cancel/ hold/ release their orders and will have access to real time live quotes in the market

### IV. NDS-OM International Bond Platform Connect – a facility for RFQ trades in G-Secs

The Pre-trade Allocation (PTA) allocation workflow has been introduced on NDS-OM under the RFQ module. This enables FPIs to, place block deals, with a facility to perform upfront pre-trade allocation of the full block amount distributed among the various sub-accounts (FPIs) for which the deal is being placed. FPIs can access these platforms through the International Electronic Trading Platforms who have entered into an agreement with CCIL for connectivity to NDS-OM through APIs.

Such deals will be indicated separately on NDS-OM as 'PTA' deals. These PTA deals shall be displayed to those members who have on-boarded these FPI. Trading on this platform is subjected to all limit validations like stock balance/ short sale limits etc. In case of insufficient stock balance or short sale limit etc., any trade breaching the limits or no positions will be rejected with the reason displayed appropriately under the Notification Watch (RFQ tab).

### V. Margins in G-Sec Market

**Risk Management Process for G-Secs:** During the clearing and settlement processes, CCIL, as the CCP, is exposed to certain risks which may arise due to a default by any of its members to honour their obligations. CCIL manages the exposures by collection of Initial Margin and MTM Margin (both intra-day and end of day) from members in respect of their outstanding trades. Apart from this, CCIL also collects Volatility Margin and in some instances Concentration Margin too.

Initial Margin is collected to cover the potential risk from future adverse movement of prices of the concerned securities.

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

Members are required to keep balance in the Settlement Guarantee Fund (SGF) in such a manner that the balance 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 a margin call and the concerned member is required to meet the shortfall before the specified period on 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.

#### VI. Pre-funding in G-Sec Market

CCIL introduced 'pre-funding' facility w.r.t. outright Government Securities segment for either securities or funds or both.

- Members and constituents of the GAH need to opt-in if they intend to pre-fund their securities and funds
- Once a member or its constituent has opted for pre-funding, the system will check for availability of such funds or securities at the time of trade
- Trade of such constituents and members shall not be considered for calculation of the margin obligation of the member
- Contribution/ withdrawal of funds towards prefunding shall be accepted in Indian rupees (up to two decimal places) and securities (face value) in multiples of INR 100/- (Rupees One Hundred Only), as applicable on e-Kuber System of RBI

#### Prefunding Contribution

- **Funds Contribution:** The contribution shall be accounted for only upon sighting of funds in CCIL's RTGS Settlement Account/ Current Account at RBI till prescribed cut-off time. Funds received after the prefunding cut-off time shall be accounted for on the next business day
- **Securities Contribution:** Securities contribution by Members/ Constituents (through their custodians) towards prefunding in securities segment shall be carried out electronically using Value Free Transfer (VFT) functionality in RBI's e-Kuber system. Member shall contribute securities from its CSGI account for its constituents' trades
- All prefunding notices shall be accepted from Monday to Friday between 08:00 to 20:00 IST, on days when CCIL is open for business. Working Saturdays shall be considered as non-business day for prefunding

#### Withdrawing Prefunded Contribution

- Constituents desirous of seeking fund/ securities withdrawals need to route their request through their member to CCIL within the specified cut-off time. All funds withdrawal notices shall be processed on intraday basis (i.e., for refund on same day)

#### Corporate Actions on Securities

- Interest (coupon) benefits due on securities contributed towards prefunding shall be paid to the Member's RBI account for further credit to the constituent account

### 10.3.2. Corporate Debt/ Bonds

Trading in corporate bonds, including securitised debt, can either be executed on the Debt Segment of the recognised stock exchange or OTC.



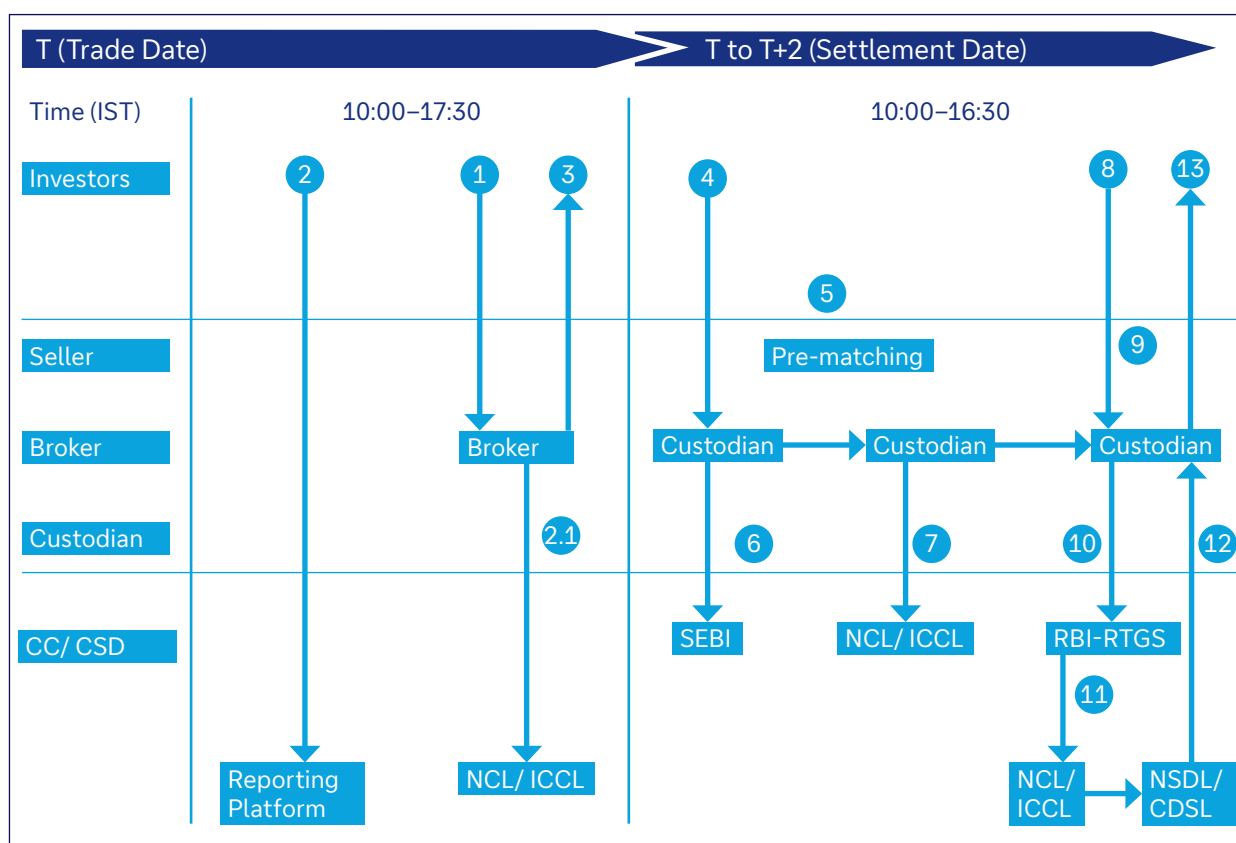
### 10.3.2.1. OTC Corporate Bond Trades

Most of the trades in the corporate debt market are executed bilaterally between the parties to the deal. All OTC trades are mandatorily required to be reported and settled through the bond reporting platform of the CCs respectively. The trading and settlement of corporate bond trades are carried out between Monday to Friday for three settlement cycles viz. T+0, T+1 and T+2. FPIs have the option to trade directly in the corporate debt market without availing the services of a broker. For OTC trades reported and settled through the CCs, there are no margins payable. These trades are settled on gross basis and are not guaranteed by the CCs.

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

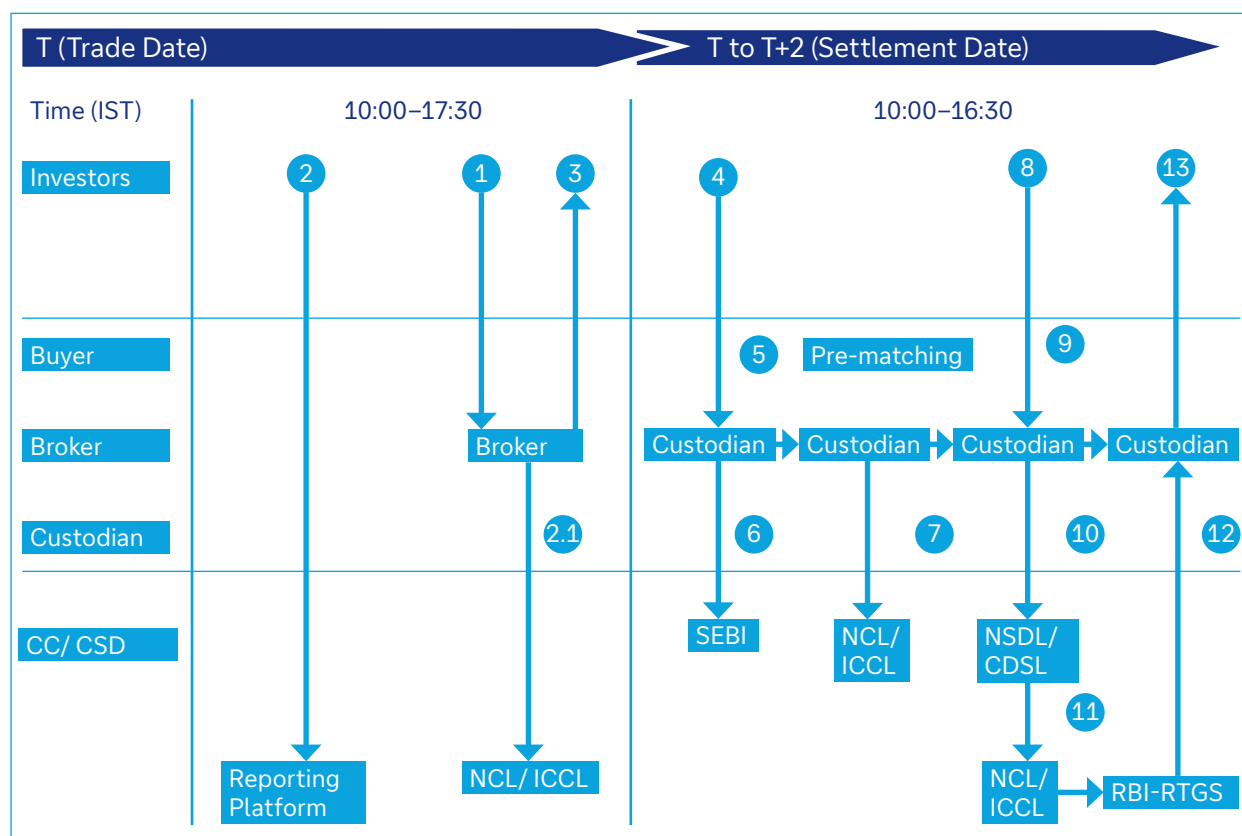
The BSE uses the New Debt-Segment, Reporting and Settlement and Trading (NDS-RST) platform as its debt reporting platform.

## Settlement Flow – Purchase Trade Corporate Bonds



1. Trade instructions sent by the investor to the broker or is directly agreed with a counterparty
2. Trade reported on the Bond reporting platform of the CCs
  - The broker reports the trade to the CCs
3. Trade confirmation sent to the investor along with broker contract note
4. Settlement instructions as per agreed timeline
5. Pre-matching between investor instructions and entry on bond reporting platform
6. Reporting of the trade to SEBI
7. Trade confirmed on NCL or ICCL
8. Debit investor's cash account held with Custodian Bank
9. Payment of funds to the CCs through RBI-RTGS
10. Settlement via the CCs
11. Delivery of bonds and credit to the investor's account through the depository
12. Settlement confirmation sent to the investor

## Settlement Flow – Sale Trade Corporate Bonds



1. Trade instructions sent by the investor to the broker or is directly agreed with a counterparty
2. Trade reported on exchange reporting platform
  - The broker reports the trade to the exchange
3. Trade confirmation sent to the investor along with broker contract note
4. Settlement instructions as per agreed timeline
5. Pre-matching between investor instructions and entry on bond reporting platform
6. Reporting of the trade to SEBI
7. Trade confirmed on NCL and ICCL
8. Debit investor's security account for pay-in of securities
9. Pay-in of securities through depositories
10. Settlement via the CCs
11. Funds received via RBI-RTGS
12. Credit investor's cash account and send the settlement confirmation

### 10.3.2.2. Corporate Bond Trades Executed and Settled through Exchange Platform

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

## 10.4. Derivatives

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

### 10.4.1. Equity Derivatives

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

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

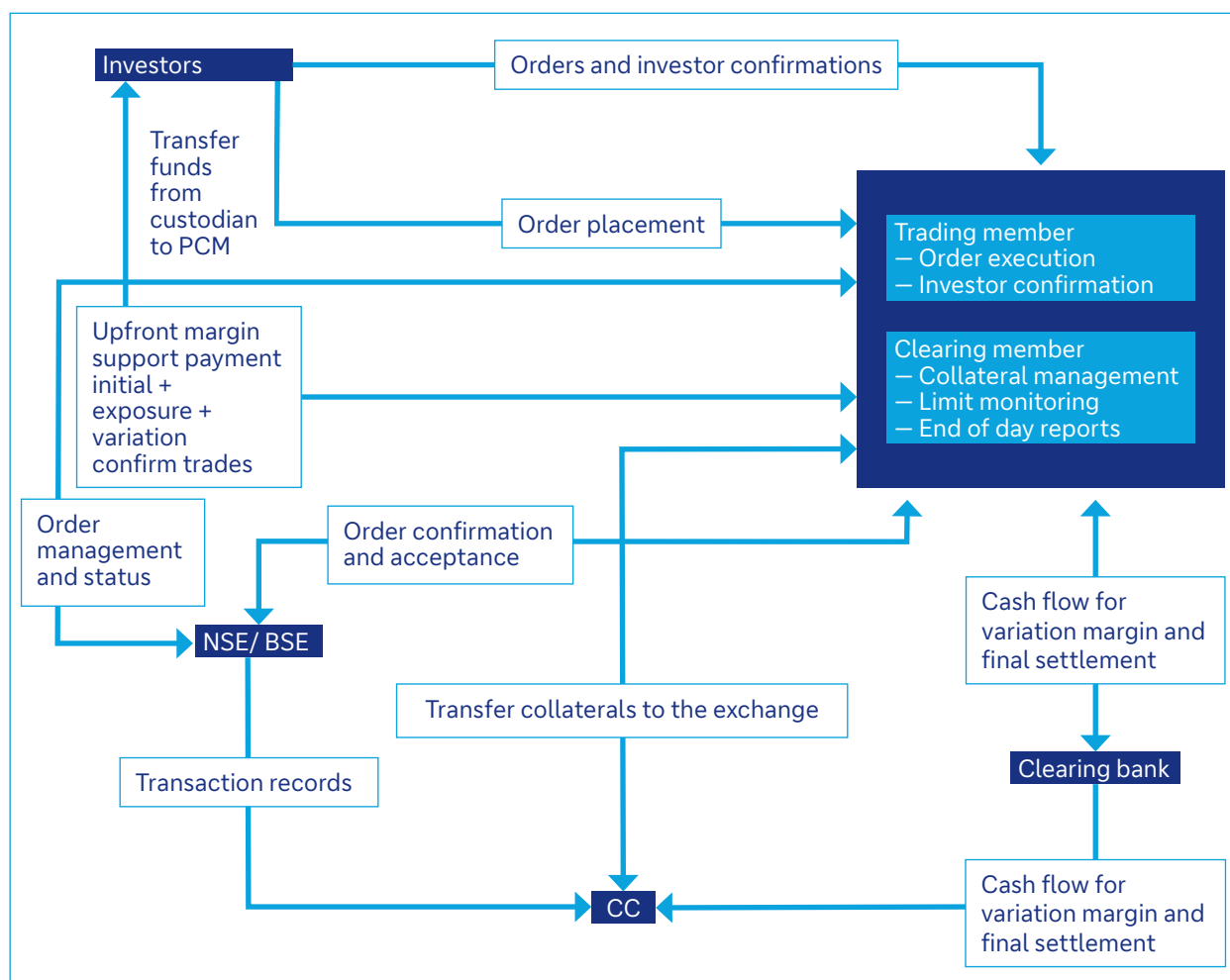
The final settlement profit/ loss is computed as the difference between the trade price or the previous day's settlement price, as the case may be and the final settlement price of the relevant futures contract. Final settlement loss/ profit amount is debited/ credited to the relevant CM's clearing bank 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 the settlement style is premium style. The premium payable position and premium receivable position are netted across all the 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 the derivatives segment are physically settled. Single stock futures and options contracts follow physical settlement by way of delivery/ receipt of the securities/ cash.

### – Settlement Procedure

- The following positions in respect of contracts identified by the exchange shall be physically settled:
  - All open futures positions after the close of trading on the expiry day
  - All in-the-money contracts which are exercised and assigned
- The quantity to be delivered/ received would be equivalent to the market lot x 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 of a CM shall be arrived at after netting the obligations of all clients/ constituents/ trading members clearing through the respective CM

- Physical settlement of the securities shall be done only in dematerialised mode through the depositories
- The physical settlement will take place on Expiry + 1 day
- **Shortage Handling**
  - **Funds Settlement:** Non-fulfilment of funds obligation towards physical settlement shall be treated as a violation and action as per prevailing norms for non-fulfilment of settlement obligation shall be applicable. Securities pay-out due to such CMs who have not fulfilled funds obligation shall be withheld by the CC
  - **Securities Settlement:** Failure of the seller to deliver securities shall result in buy-in auction for the shares by the CC. Auction would be conducted on Expiry + 1 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
    - CMs who fail to deliver shall be debited by an amount equivalent to the securities not delivered, valued at valuation price, which would be the closing price of the security in the Cash Equity segment of the exchange, on immediate trading day preceding the pay-in day of securities
    - Close-out shall be at the close-out price of the security as determined in the Capital Market segment
    - Auctions shall not be conducted for shortages in the securities which are under corporate actions. Such shortages shall be closed out directly
  - CMs failing to fulfil their securities deliverable obligations to the CC shall be subjected to a penalty charge of 0.05% per day. The valuation amount of the shortage shall be considered as fund shortages where shortage confirmation is not received from the bank and penal action as prescribed for funds settlement would apply
- **Additional Margin applicable for Physical Settlement**

Post expiry, for positions which are converted to physical settlement, margins as applicable in the Cash Equity segment (i.e. VaR, Extreme Loss Margins, MTM Margins shall be applicable and levied as delivery margins.

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

### 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 the 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 IRF contracts for each member is marked-to-market to the daily settlement price of the IRF contracts at the end of each trade day.

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

The final settlement profit/ loss is computed as the difference between the 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 IRF contracts cease to exist after their last trading day/ expiry.

### 10.4.3. Currency Derivatives

CCs of the exchanges act as the clearing and settlement agency for all currency derivatives' 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 Indian rupees.

**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 currency futures contracts, the CCs mark all positions of a CM to the final settlement price and the resulting profit/ loss is settled in cash.

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

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

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

## 10.5. Risk Management at Exchanges

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

### 10.5.1. Margins

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

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

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

### 10.5.2. Capital Adequacy Requirements

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

### 10.5.3. Core Settlement Guarantee Fund

The SEBI and the RBI have prescribed norms for the Core Settlement Guarantee Fund (CSGF) and Default Waterfall and Stress Testing aimed at enhancing the robustness of the risk management systems of the CCs for dealing with defaults of the CMs in an effective manner. In the event of failure of a trading member, CSGF is utilised for successful completion of the settlement, which eliminates counterparty risk of trading on the exchange. At any point of time, the contributions by members to the CSGF of any segment shall be reviewed by SEBI from time to time considering the prevailing market conditions. CCs may utilise the CSGF in the event of a failure of the CM to honour settlement commitment. CCs have a pre-defined waterfall for using the CSGF in case of default in any segment. In case of CCIL, the clearing corporation for G-Sec, members contribute to the Default Fund. These are periodically reviewed and based on the exposure there can be a margin call to contribute to this Fund. The default waterfall mechanism of CCIL specifies the order in which the funds will be used to meet the losses due to default of any member.

### 10.5.4. Graded Surveillance Measure

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

The exchanges have issued a set of FAQs to explain the GSM mechanism. The FAQs can be accessed using below links:

NSE : <https://www.nseindia.com/regulations/graded-surveillance-measure>

BSE : [https://www.bseindia.com/markets/equity/EQReports/graded\\_surveil\\_measure.aspx](https://www.bseindia.com/markets/equity/EQReports/graded_surveil_measure.aspx)



# 11

## Asset Servicing

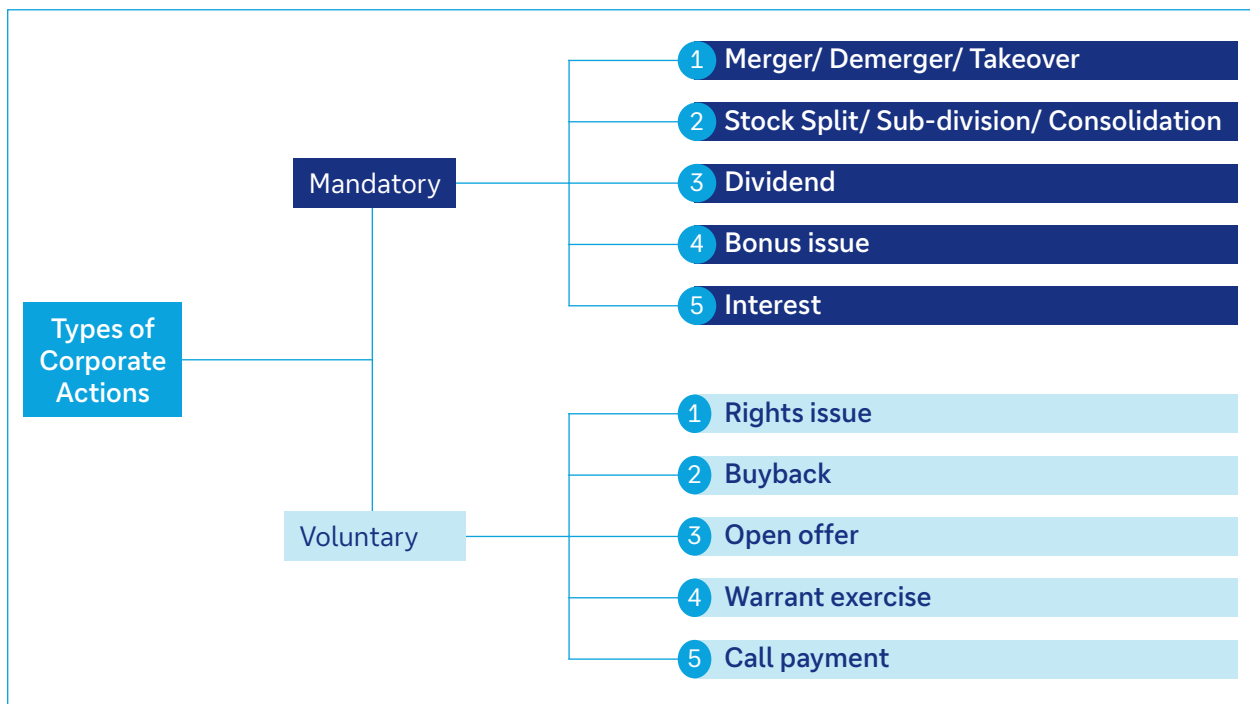
### 11.1. Overview

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 sources of information about corporate action events are as follows:

- Primary sources:
  - Stock exchange bulletins and downloads
  - Direct information from the company/ institution — official public announcements
- Secondary sources:
  - Newspapers and other periodicals
  - Local data vendors

#### 11.1.1. Types of Corporate Actions

The most common types of corporate actions are:



### 11.1.2. Corporate Action Highlights

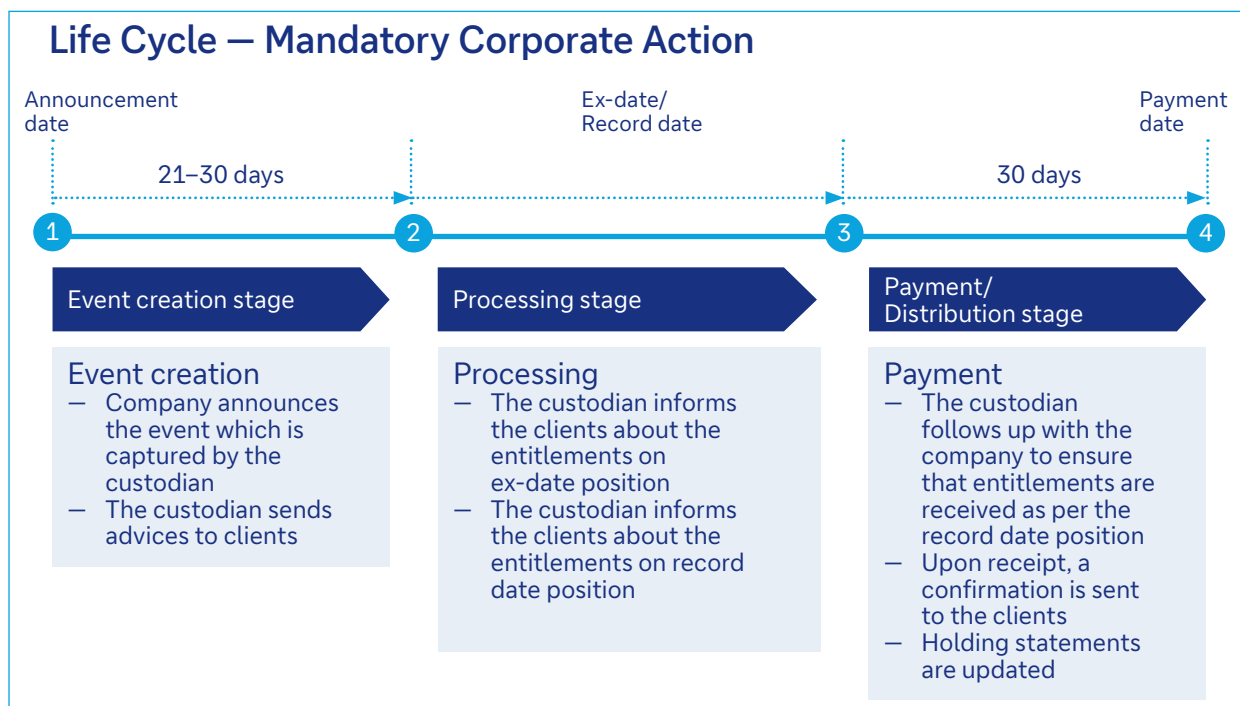
Corporate Action Highlights	
Peak period	April–September
Entitlement date	Record date
Entitlement computation	On the record date
Pay date	Although there is a requirement for declaration of pay date for dividend, it is not mandatory. Companies are yet to adopt the practice of announcing the pay date prior to providing the benefits
Corporate action claims	There is an auto claim process within the market. Agent banks on behalf of their client would have to liaise with the counter-party to claim corporate action benefits due to the clients

### Important Dates

Announcement Date	<ul style="list-style-type: none"> <li>– Listed companies should give advance notice of at least seven working days (excluding the date of intimation and the record date) of the record date to the relevant stock exchanges</li> <li>– Shareholders to be given a notice of 21 days before AGM/ EGM</li> </ul>
Book Close Date	<ul style="list-style-type: none"> <li>– Date on which the company will close its books for the record of its shareholders for disbursement of the corporate action's entitlement</li> </ul>
Record Date	<ul style="list-style-type: none"> <li>– Record date is the cut-off date for determining the number of registered members who are eligible for the corporate action benefits</li> <li>– Record date for the payment of interest (or dividend)/ repayment of principal of debt securities/ non-convertible redeemable preference shares shall be 15 days prior to the due dates of such payment obligation, as per SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021</li> </ul>
Ex-Date	<ul style="list-style-type: none"> <li>– Date before which, if that particular stock is bought in the market, the buyer is entitled to receive the corporate action entitlements. Such a trade is known as a 'cum dividend/ cum bonus', i.e. the trade is executed inclusive of all the entitlements/ benefits</li> <li>– In India, the Ex-date and Record date for listed securities fall on the same day since change of settlement cycle to T+1</li> </ul>
Payment Date	<ul style="list-style-type: none"> <li>– Crediting of the benefit is to be made within 30 days from the announcement date or the AGM date</li> </ul>
Period of Offer	<ul style="list-style-type: none"> <li>– Period of offer is specified in the offer document for each event</li> </ul>

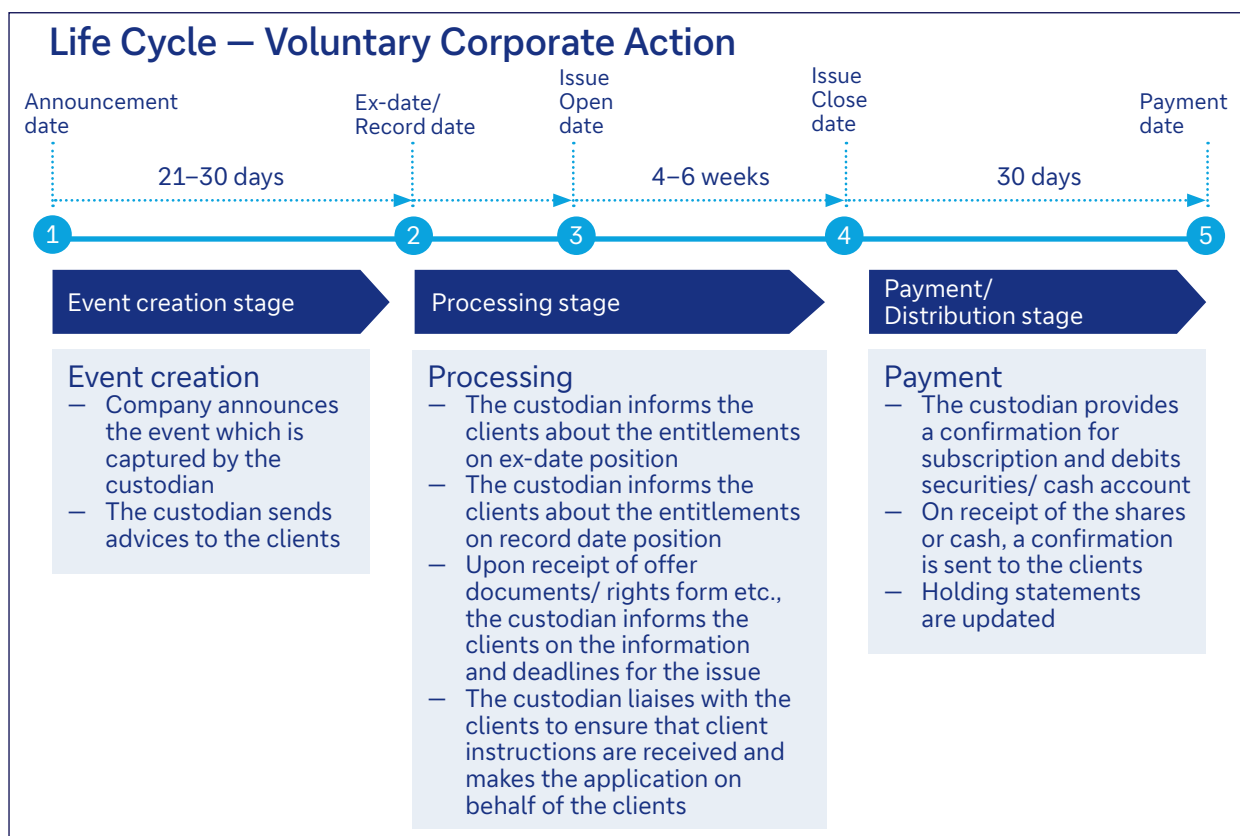
## 11.2. Life Cycle – Mandatory Corporate Action

Pictorial presentation of the event flow of mandatory corporate action is as follows:



## 11.3. Life Cycle – Voluntary Corporate Action Events

Pictorial presentation of the event flow of voluntary corporate action is as follows:



## 11.4. Voting

Highlights	
Peak season — AGM	March–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 methods — Physical presence at the meeting, postal ballot, electronic voting, proxy voting
Split voting	Permitted only in case of voting 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 the meeting date

### 11.4.1. E-Voting

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

Key features of e-voting:

- NSDL and CDSL provide e-voting platforms in India to increase shareholder participation in meetings by enabling shareholders to vote at a time and place of their convenience. The e-voting period is open for three days and closes at least one day prior to the meeting date
- Shareholders/ members can e-vote directly or provide their requisite instructions to the custodian to submit their e-vote. Shareholders/ members who do not have access to e-voting facility can communicate their assent or dissent through form
- Wherever the company has opted for e-voting, the voting by show of hands is discontinued
- E-votes once exercised cannot be modified

Additional conditions of e-voting:

- In scenarios where voting has been completed for a client electronically, proxy voting at a meeting is not permissible for the given client
- Shareholders/ members exercising e-voting can attend the meeting but cannot vote
- Board of Directors of the company appoints an external person to scrutinise and certify that the e-voting process is fair and transparent

### 11.4.2. 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 the company as on the record date/ book closure date are eligible to vote
- In case of proxy, the submission of the proxy form with the issuer is at least 48 hours or two working days prior to the meeting date (96 hours or four working days for banks). In case of e-voting, the period of voting ends one day prior to the meeting date
- Resolutions at company meetings can be put to vote by a show of hands or poll. However, a proxy cannot exercise voting rights on a show of hands
- In case a vote is cast by way of e-voting or postal ballot, the proxy cannot participate in the vote at the meeting

### 11.4.3. 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 Registrar and Transfer Agents (RTAs) within two days of passing of the resolution at the relevant general meeting of members.

### 12.1. Tax Regime in India for Foreign Portfolio Investors

The Department of Revenue under the Ministry of Finance, Government of India, is the nodal agency responsible for all matters relating to levy and collection of direct and indirect taxes. 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).

Foreign investors are required to discharge their tax liabilities either at the time of remittance of sale proceeds, monetary benefits or any other income received or prior to the advance tax payment deadline, whichever is earlier.

Foreign investors are required to appoint a Chartered Accountant (or CPA)/ Tax Consultant in India to provide necessary assistance related to tax matters including computation of tax liabilities. Foreign investors are required to obtain a tax ID called Permanent Account Number (PAN). Foreign Portfolio Investors (FPIs) can apply for PAN forms as part of the Common Application Form (CAF).

Key taxes and duties payable by foreign investors in relation to Indian capital markets are:

- Withholding Tax
- Capital Gains Tax
- Securities Transaction Tax
- Stamp Duty

#### Current Applicable Tax Regime for FPIs Investing in India:

**Financial Year (FY):** April 1, 2025 to March 31, 2026

**Assessment Year (AY):** 2026–2027

#### 12.1.1. Withholding Tax

Foreign investors are subject to Withholding Tax (WHT) in terms of their interest income on debt securities, dividend income on equity securities, income from mutual fund units, etc., held in India.

Issuers withhold tax on interest, dividend, income from units, etc., either at the applicable tax rates plus surcharge and cess or as per the rates agreed under Double Taxation Avoidance Agreement (DTAA) between India and the foreign investor's home jurisdiction, whichever rate is lower. The foreign investor claiming DTAA benefits is required to submit the Tax Residency Certificate, prescribed Form 10F and specified declarations (as provided by the Issuer) prior to receipt of the payment.

### Applicable Tax Rates (inclusive of surcharge and education cess) for the current FY:

Corporate FPIs			
Nature of Income	Net Taxable Income		
	≤ INR 10 Million	> INR 10 Million, ≤ INR 100 Million	> INR 100 Million
Dividends and other income	20.8%	21.216%	21.84%
Interest income on Government securities, qualifying corporate bonds and municipal bonds*	20.8%	21.216%	21.84%

Non-Corporate FPIs					
Nature of Income	Net Taxable Income				
	≤ INR 5 Million	> INR 5 Million, ≤ INR 10 Million	> INR 10 Million, ≤ INR 20 Million	> INR 20 Million, ≤ INR 50 Million	> INR 50 Million
Dividends and other income	20.8%	22.88%	23.92%	23.92%	23.92%
Interest income on Government securities, qualifying corporate bonds and municipal bonds*	20.8%	22.88%	23.92%	26%	28.496%

\* Lower rate of tax under section 194LD of the Act on these securities was applicable only up to June 30, 2023.

Note: Generally, the tax applicable on such income is withheld at source. Any excess/ short WHT is adjusted/ paid during the year. No tax is deducted at source on payment of interest on Government securities and the FPI is required to pay tax on such interest as advance tax in the prescribed instalments during the year.

#### 12.1.2. Capital Gains Tax

Any gain/ profit arising from sale of securities held by FPI is treated as capital gains. Based on the holding period of securities, capital gains are categorised as Short-Term Capital Gain (STCG) and Long-Term Capital Gain (LTCG).

**Short-term capital asset** means a security listed on a recognised stock exchange in India or a unit of the Unit Trust of India established under the Unit Trust of India Act, 1963 or a unit of an equity-oriented fund or a zero coupon bond held by an FPI for not more than 12 months immediately preceding the date of its transfer.

In case of securities other than those mentioned above, short-term capital assets shall be held by an FPI for not more than 24 months immediately preceding the date of its transfer.

**Long-term capital asset** refers to a security listed on a recognised stock exchange in India or a unit of the Unit Trust of India established under the Unit Trust of India Act, 1963 or a unit of an equity-oriented fund or a zero coupon bond held by an FPI for 12 months and more immediately preceding the date of its transfer.

In case of securities other than those mentioned above, long-term capital asset shall be held by an FPI for 24 months and more immediately preceding the date of its transfer.

Further, transfer of the following shall be deemed to be STCG irrespective of their period of holding:

- Units of a specified mutual fund acquired on or after April 1, 2023
- Market-linked debentures
- Unlisted bonds and debentures (with effect from July 23, 2024)

Foreign investors are liable to pay tax on such gains at the prevailing rates or can avail applicable DTAA provisions, subject to 'General Anti-Avoidance Rules' and 'Multilateral Instrument' provisions.

### Applicable Tax Rates (inclusive of surcharge and education cess) on Capital Gains for the current FY:

Corporate FPIs				
Nature of Income	Net Taxable Income			
	≤ INR 10 Million	> INR 10 Million, ≤ INR 100 Million	> INR 100 Million	
Capital Gains on Equity Shares/ Equity-Oriented Mutual Funds/ Units of Business Trust where STT is paid				
STCG	20.8%	21.216%	21.84%	
LTCG**	13%	13.26%	13.65%	
Capital Gains on Transfer of Other Securities				
STCG	31.2%	31.824%	32.76%	
LTCG	13%	13.26%	13.65%	

Non-Corporate FPIs					
Nature of Income	Net Taxable Income				
	≤ INR 5 Million	> INR 5 Million, ≤ INR 10 Million	> INR 10 Million, ≤ INR 20 Million	> INR 20 Million, ≤ INR 50 Million	> INR 50 Million
Capital Gains on Equity Shares/ Equity-Oriented Mutual Funds/ Units of Business Trust where STT is paid					
STCG	20.8%	22.88%	23.92%	23.92%	23.92%
LTCG**	13%	14.3%	14.95%	14.95%	14.95%
Capital Gains on Transfer of Other Securities					
STCG	31.2%	34.32%	35.88%	35.88%	35.88%
LTCG	13%	14.3%	14.95%	14.95%	14.95%

\*\* Grandfathering benefits available in case of certain securities purchased before February 1, 2018. Further, LTCG is applicable on gains in excess of INR 0.125 million per FY.

### 12.1.3. Taxation of Specified Fund in GIFT IFSC investing in India as FPI

The income in respect of securities (dividend, interest etc.) earned by a 'Specified Fund' in GIFT International Financial Services Centre (GIFT IFSC) registered as FPI should be taxable at the rate of 10% plus applicable surcharge and cess as per the provisions of the Income-tax Act, 1961 (IT Act).

The rate of tax applicable on short-term and long-term capital gains arising on transfer of equity shares of a company resident in India invested by the Specified Fund as registered FPI should be as per section 12.1.4.



The above rates are applicable only to the extent of income that is attributable to units held by a non-resident (not being a permanent establishment of a non-resident in India) calculated in the prescribed manner and in case where a Specified Fund is the investment division of an offshore banking unit, the lower rate of tax shall apply to the extent of income that is attributable to the investment division of such banking units registered as Category I FPI calculated in such manner as may be prescribed.

‘Specified fund’ is defined in the Explanation to Section 10(4D) of the IT Act.

The gains arising on transfer of securities (other than shares in a company resident in India) are exempt from tax for such Specified Fund to the extent such income is in respect of units held by a non-resident unit holder. The above exemption is subject to the condition that all units of the Category III Alternative Investment Fund (AIF) are held by non-residents other than units held by its sponsor/ manager (specified fund condition).

Income earned by the Specified Fund from transfer of foreign currency denominated bond, unit of a mutual fund, unit of a business trust, foreign currency denominated equity share of a company, unit of AIF, Bullion Depository Receipt with underlying bullion, unit of investment trust, unit of a scheme, unit of an Exchange Traded Fund launched under International Financial Services Centres Authority (Fund Management) Regulations, 2025, on a recognised stock exchange located in IFSC, where consideration for such transaction is in convertible foreign exchange, is exempt to the extent such income is in respect of units held by a non-resident unit holder.

Any income accruing or arising to or received by, a unit holder from a Specified Fund or on transfer of units in a Specified Fund is exempt from tax.

#### 12.1.4. Investments by non-resident investors in Offshore Derivatives Instruments through IFSC

Any income accrued or arisen to or received by a non-resident, is exempt from tax in India, as a result of transfer of non-deliverable forward contracts or Offshore Derivative Instruments (ODIs) or OTC derivatives or distribution of income on ODIs or OTC derivatives, entered into with an offshore banking unit of an IFSC (subject to certain conditions) or any FPI being a unit of an IFSC, which fulfils such conditions as may be prescribed.

#### 12.1.5. Securities Transaction Tax

Securities Transaction Tax (STT) is levied on the purchase or sale of securities as details provided below.

**Transactions relevant to an FPI where STT is applicable:**

Transaction	STT Rate	Payable by
Purchase/ Sale of equity shares on recognised stock exchange (Delivery-based)	0.1%	Purchaser/ Seller
Purchase/ Sale of unit of business trust on recognised stock exchange (Delivery-based)	0.1%	Purchaser/ Seller
Sale of units of equity-oriented mutual funds on recognised stock exchange (Delivery-based)	0.001%	Seller
Sale of equity shares or units of equity-oriented mutual fund or unit of business trust on recognised stock exchange (Contract is settled otherwise than by the actual delivery or transfer of share or unit)	0.025%	Seller
Sale of an option in securities	0.1%	Seller
Sale of an option in securities, where the option is exercised	0.125%	Purchaser
Sale of futures in securities	0.02%	Seller

Transaction	STT Rate	Payable by
Sale of unlisted equity shares under an offer for sale or unlisted units of a business trust	0.2%	Seller
Sale of unit of an equity-oriented fund to the mutual fund	0.001%	Seller

### 12.1.6. Advance Tax

Foreign investors are required to discharge their tax liabilities either at the time of repatriation of funds or prior to the advance tax payment deadline, whichever is earlier. Liability to pay advance tax arises when the tax payable is INR 10,000 or more. The tax thus paid is adjusted against the total tax obligation for the respective assessment year.

**Advance tax payments must be made as per the following schedule:**

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

- Taxes are calculated based on traded positions, all trades executed and income earned 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 subject to interest on deferment of advance tax at the rate of 1% per month on the unpaid amount on the five instalments' due dates, plus any additional interest, fees and penalties as stipulated by the Government

Interest, on default in payment of advance tax or where 90% of the tax, net of WHT is not paid during the year, is applicable at the rate of 1% per month from April 1 next following the end of the financial year till the date of payment of advance tax.

### 12.1.7. Filing Tax Returns

The due dates for filing Income Tax Returns (ITR) for a financial year are as below.

Taxpayer Type	Filing Due Date
Non-corporates	Before July 31 of the following financial year*
Corporates	Before October 31 of the following financial year

In case an entity has international transactions with related/ associated parties in India, then it should comply with the transfer pricing provisions in India and maintain transfer pricing documentation as required by law and also submit Form 3CEB along with the return of income. The due date for furnishing the return of income is November 30 of the following financial year. Due date for filing transfer pricing report is October 31 of the following financial year.

If the returns are not filed on or before the due date, interest at the rate of 1% per month (or part of the month) will be charged on the difference of tax payable, the advance tax and Tax Deducted at Source (TDS), interest will be charged till the return of income for the relevant financial year is filed.

- \* Entities/ persons registered in India as non-corporate taxpayers were granted extension until September 15, 2025, by the CBDT for filing ITR for FY 2024-25.

### 12.1.8. Stamp Duty

Stamp duty is payable on any transfer of securities. Under the Indian Stamp (Collection of Stamp Duty through Stock Exchanges, Clearing Corporations and Depositories) Rules, 2019 ('Stamp Duty Collection Rules'), Stock Exchanges/ authorised Clearing Corporations and Depositories are required to collect stamp duty on securities transactions and further pay to the concerned State Government of the buyer/ trading member/ depository participant's domicile, as applicable. The Clearing Corporation of India Limited (CCIL) and the Registrars to Issue and/ or Share Transfer Agent (RTAs) have been designated by the Central Government to act as stamp duty collecting agents.

#### Stamp Duty on Stock Exchange Transactions:

Type of Security	Segment	Stamp Duty	Payable by
Transfer of securities other than debentures – Delivery-basis	Equity	0.015%	Buyer
Transfer of debentures	Equity and Debt	0.0001%	Buyer
Transfer of corporate bonds, securitised debt, commercial papers and certificate of deposits	CBRICS/ ICDM Platform	0.0001% <sup>#</sup>	Buyer
Repo transaction	CBRICS/ ICDM Platform	0.00001% <sup>##</sup>	Borrower (Buyer of the forward leg)
Tri-party repo on corporate bonds	Debt	0.00001% <sup>##</sup>	Buyer
Issue of debentures	Electronic Book Provider (EBP)	0.005%	Issuer
Tender-offers for takeover, buy back, delisting of securities	Equity	0.015%	Offeror (Seller)
Offer for sale	Equity	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 debentures – Delivery-basis (Physical settlement of derivatives)	Equity Derivatives	0.015%	Receiver
Currency and interest rate derivatives	Currency/ Interest Rate Derivatives	0.0001%	Buyer
Commodity futures	Commodity Derivatives	0.002%	Buyer

<sup>#</sup> Stamp duty will be levied on consideration amount (including accrued interest)

<sup>##</sup> Stamp duty will be levied on the interest paid by the borrower on reverse leg of the repo transaction

#### Notes:

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

### Stamp Duty on Off-Market Transactions:

Type of Security	Stamp Duty Rate	Payable by
Transfer of debentures	0.0001%	Seller/ Transferor/ Pledgee
Transfer of securities, other than debentures – Delivery-based	0.015%	Seller/ Transferor/ Pledgee

#### Notes:

- Stamp duty will be calculated on the consideration amount specified in the off-market transaction instruction (Delivery Instruction Slip) or on the invocation value in case of pledge invocation instruction received from clients
- For all off-market transfers of securities with reason codes 'Sales' and 'Commercial Paper issuance', the stamp duty should be paid upfront to the depository by the client through their custodian, i.e., prior to input of the sell transaction by the client's custodian or the depository platform for transfer of securities
- Stamp duty can be paid either through the custodian or directly, at the discretion of payer

## 12.2. Double Tax Avoidance

The Government of India has entered into Double Taxation Avoidance Agreements (DTAA) with several countries. The FPI entity may avail the benefits of DTAA provisions wherever such provisions are more beneficial vis-à-vis provisions of the income tax applicable in India, subject to satisfying the conditions, if any, under the OECD Multilateral Instruments as applied by each jurisdiction, the Principal Purpose Test, the Limitation of Benefit clauses, etc. The FPI should be eligible to claim DTAA benefits and should provide documentary proofs for tax residence, Form 10F, declarations, etc. to claim DTAA benefits.

DTAA benefits, where applicable, are considered at the time of WHT/ advance tax payments during the year. DTAA entered into by the Government of India can be accessed using the following link: <https://incometaxindia.gov.in/Pages/international-taxation/dtaa.aspx>.

A summary of tax rates as per the IT Act vis-à-vis tax treaties may be accessed through <https://incometaxindia.gov.in/Pages/charts-and-tables.aspx>.

## 12.3. Minimum Alternate Tax

Companies/ entities are required to pay a fixed percentage of their 'book profits' as Minimum Alternate Tax (MAT). MAT provisions are not applicable if the foreign company/ entity is resident of a DTAA treaty country and does not have permanent establishment/ place of business in India.

## 12.4. Taxation for Indirect Transfer

The IT Act provides for taxation of income arising from transfer of shares of an overseas entity where the value of such shares or interest is derived substantially from assets located in India. Thresholds for taxation of such indirect transfers are as follows:

- Value of the assets located in India exceeds INR 100 million
- Indian assets represent at least 50% of the total value of assets owned by the overseas entity

The provisions would be applicable upon breach of the stated threshold, subject to exemption provided for small investors (who neither hold the right of management or control of the foreign target entity, nor hold more than 5% voting power or share capital or interest) in such overseas entity including in the following fund structures:

- Master Feeder Fund structures
- India-focused Sub-funds and listed funds

Other provisions in the IT laws such as withholding obligations on the payer, apply as per law. Further, these provisions shall not apply in case of redemption of shares or interests outside India as a result of or arising out of, redemption or sale of investment in India which is chargeable to tax in India.

Category I FPIs are exempt from Indirect Transfer provisions.

## 12.5. Onshoring Fund Management to India

The IT Act was amended by the Finance Act, 2015, to enable the onshoring of fund management activities to India. This encapsulates safe harbour provisions under which fund management activity carried out through an 'Eligible Fund Manager' (EFM) located in India for an 'Eligible Investment Fund' (EIF) would not constitute a business connection in India and therefore not lead to tax residence in India. These benefits are available subject to compliance with prescribed conditions and registrations with the income-tax authorities in India.

## 12.6. Foreign Account Tax Compliance Act/ Common Reporting Standard

Foreign investors are required to submit their Foreign Account Tax Compliance Act (FATCA)/ Common Reporting Standard (CRS) classification prior to their registration or account opening.

As part of the process, there is automatic data sharing between the Indian tax authorities and the home jurisdiction of the foreign investors who are part of the arrangement.

## 12.7. Goods and Services Tax

The Goods and Services Tax (GST) regime became effective on July 1, 2017, replacing the Excise Duty, Service Tax and Sales Tax, among various other indirect taxes then prevalent in India. India follows a dual GST model, comprising:

- Central GST or CGST
- State GST or SGST
- Integrated GST or IGST
- Union Territory GST or UTGST

Under this federal structure of governance in India, all intra-state supply of goods or services attract CGST (for the Central Government) and SGST (for the respective State Government). Any inter-state supplies are subject to IGST.

Further, all Market Infrastructure Institutions, listed companies or those intending to list their securities and persons dealing in the securities market, are subject to GST on fees and other charges payable to SEBI at the rate of 18%.

The official GST portal of the Government of India may be accessed at: <https://www.gst.gov.in/>.

## 12.8. General Anti-Avoidance Rule

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

FAQs issued by CBDT to clarify the implementation of GAAR can be accessed using the following link: [http://www.incometaxindia.gov.in/communications/circular/circular7\\_2017.pdf](http://www.incometaxindia.gov.in/communications/circular/circular7_2017.pdf).

## Securities Lending and Borrowing

### 13.1. Overview

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

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

The borrowers and lenders execute trades through SLB participants such as the Trading Members (TMs) and Clearing Members (CMs) on the SLB platform provided by the AIs. The clearing and settlement of SLB trades is facilitated by designated custodians for institutional investors.

#### Salient features of the SLB segment

- Automated trading on AI-provided screen-based order matching platforms with matching of trades based on price-time priority
- CCs act as counterparties to every trade and settlement is guaranteed
- Eligible participants in the SLB segment include TMs, CMs, banks and custodians, subject to fulfilment of eligibility criteria and other conditions as specified by the Securities and Exchange Board of India (SEBI) and CCs from time to time
- Early Recall and Early Repay facilities are available
- Lenders retain all ownership rights of the lent security and continue to receive the benefits of corporate actions
- Borrowing of equity shares by FPIs is permitted for the sole purpose of delivery into a short sale
- SLB contracts have a fixed term date every month and the lending period can be up to 12 months, with AIs having the flexibility to decide the tenure of the contracts

### 13.2. Rollover Facility and Expansion of Eligible Securities

#### Rollover facility

- Lenders and borrowers are permitted to roll over their positions. Under this facility, a lender who is due to receive securities on the reverse leg settlement date SLB session may extend the period of lending. Similarly, a borrower who must return the borrowed securities on the settlement date of the reverse leg may, through the same SLB session, extend the period of borrowing
- Rollover is conducted as part of the SLB session
- Netting between the borrowed and lent position is not permitted for rollover

### Eligible securities

The list of eligible securities in SLB segment is as below:

- Securities traded in the derivatives segment
- Securities having Market-wide Position Limit (MWPL)  $\geq$  INR 1 billion and average monthly trading turnover  $\geq$  INR 1 billion in the previous six months
- Index-based Exchange-traded Fund (ETF) that has traded on at least 80% of the days over the past six months and its impact cost over the past six months is less than or equal to 1%
- The list of securities eligible to be traded in the SLB segment for the subsequent month is published by NCL and ICCL on the last working day of every month

### 13.3. Position Limits (in Number of Shares)

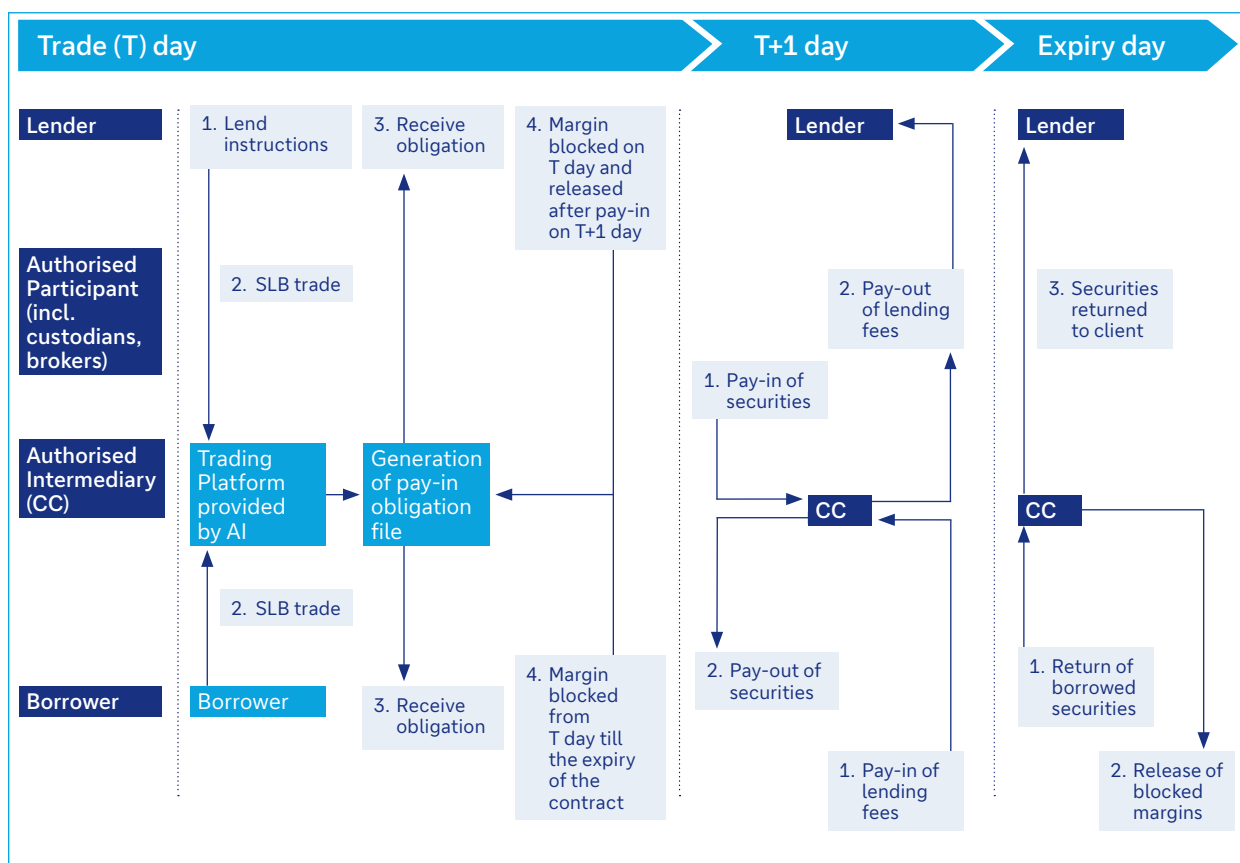
Transactions done in the SLB segment are subject to position limits as may be specified by SEBI, the CCs or the exchanges from time to time. These limits are monitored by the CCs and attract penal action in case of any violations.

Position limits shall be as under:

- The MWPL in terms of the number of shares for SLB transactions shall be 10% of the free-float capital of the company
- No participant/ CM shall have an open position of more than 10% of the MWPL or INR 0.5 billion, whichever is lower. The position limit for an FPI client is the same as that of the participant
- The client-level position limit shall not be more than 1% of the MWPL

All the applicable position limits are computed on the last trading day of every month, which will be applicable for the subsequent month. In case of any violation of position limits, the members will be subject to action/ penalties.

### 13.4. SLB Transaction Execution Flow





## 13.5. Collateral Management

A participant is required to place margin collateral in the form of liquid assets prior to transacting in the SLB segment. Liquid assets presently accepted are:

- Cash and cash equivalent i.e., Bank Guarantees (BGs), fixed deposit receipts of scheduled commercial banks
- Units of liquid funds/ funds investing in Government securities (G-Sec)
- G-Sec and Treasury Bills (T-Bills)
- Shares of constituent indices (from the types of eligible securities)

Margin collateral must be placed prior to execution of order and is based on the value of underlying securities.

### Margin requirements

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

Type of Transaction	Payable on	Obligation	Payable by	Mode of Payment	Repayment on
Initiation of SLB Transaction (First Leg)	T	SLB fees payable to CC (Transferred to the lender on T+1)	Borrower	Cash	Not applicable
<b>Margins</b>					
Borrow margins	T	100% of lending fees + value of the trade	Borrower	Cash/ cash equivalents or securities specified by NCL/ ICCL**	Not applicable
	T+1	On contract value: <ul style="list-style-type: none"> <li>— Value at Risk (VaR) Margin</li> <li>— Extreme Loss Margin (ELM)</li> <li>— Mark-to-Market (MTM) margin</li> <li>— Lending price as may be specified by CCs</li> </ul>	Borrower	Cash/ cash equivalents or securities specified by NCL/ ICCL**	Upon return of securities
Lend margin	T	Fixed percentage (25%) of the lending price as may be specified by NCL/ ICCL	Lender	Cash/ cash equivalents or securities specified by NCL/ ICCL**	Pay-in <sup>#</sup>

'T' here refers to the transaction date.

\* Contract value = (Closing price (or market price) of the previous day) X (Quantity of shares borrowed/ lent)

\*\* FPIs must pay margins in cash only

# Early pay-in of securities is done to avoid blocking of margin

Notes:

- In case of successful early repayment requests, no margins shall be levied on the participant
- In case of early recall transactions, the lending fee shall be levied as upfront margin

## 13.6. Corporate Actions

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

- **Dividend:** The dividend amount shall be collected from the borrower on the book closure/ record date and passed on to the lender on the subsequent working day
- **Stock split:** The open position would be proportionately adjusted for the revised quantity based on the ratio as on the ex-date and the lender will receive the revised quantity on the reverse leg settlement date

Only in case of AGM/ EGM, depending upon the type of contracts, foreclosure will be applicable.

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

**Shut period:** In case of Record Date or book closure announced by the company, the said security will not be allowed for trading in the SLB segment during the stipulated period as advised by the CCs.

## 13.7. Transaction Closure

Borrowed securities are to be returned at the end of the stock lending period. The borrower can also return the securities on loan at any time before the maturity date of the transaction. The borrower can make an early pay-in of securities to avoid paying MTM margin to the CCs.

### Borrower/ Lender Defaults

**First Leg:** In the event of funds shortage by the borrower, the SLB transaction will be cancelled and securities will be returned to the lender along with lending fees. In cases where the lender fails to deliver the securities, the transaction will be closed out at the higher of the following rates:

- 25% of the closing price of the security on T+1 day (closing price of the security in the capital market segment of NCL/ ICCL)
- (Highest rate of the security from trade day to T+1 day) – (T+1 day closing price of the security)

**Return Leg:** In the event that the borrower fails to return the securities, the CC shall conduct a buy-in auction in the equity segment. In case of non-availability of securities or security cannot be bought through the buy-in auction on the settlement date, the transaction is closed out at the higher of the below:

- 25% above the closing price of the security in the capital market segment on T+1 day or
- (Maximum traded price in the capital market segment of NCL/ ICCL from T day to T+1 day) – (T+1 day closing price of the security in the capital market segment of ICCL/ NCL)

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

## Gujarat International Finance Tec-City (GIFT)

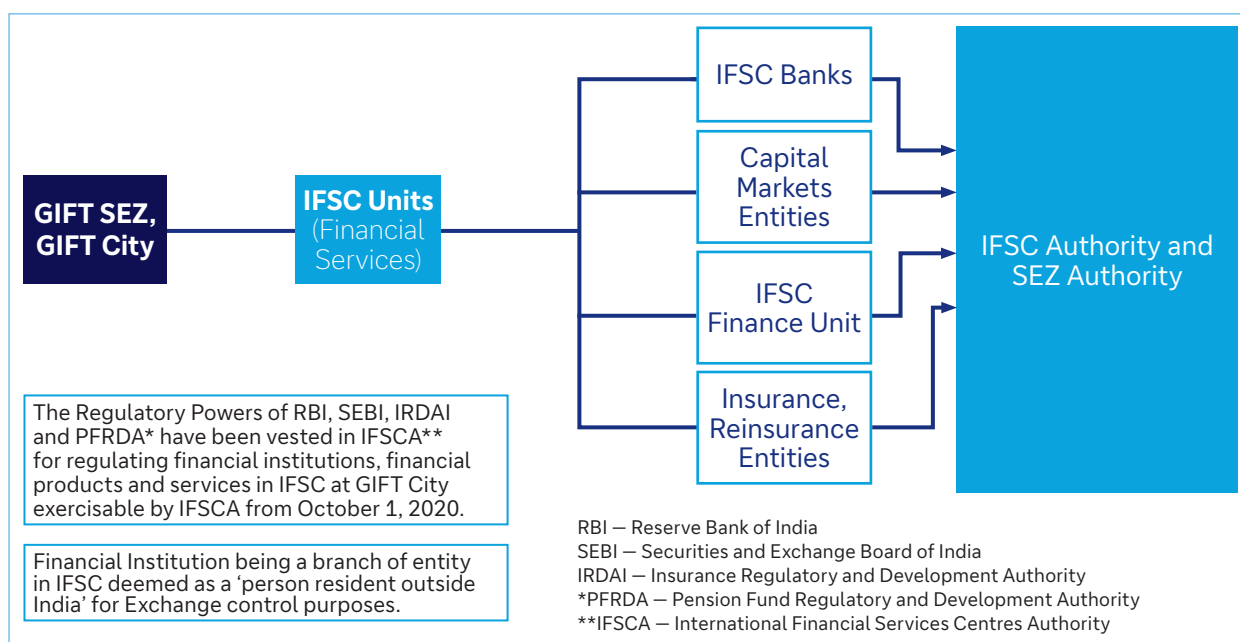
### 14.1. Background

GIFT has been developed as a global financial and IT services hub, the first of its kind in India, designed to be at or above, par with a globally benchmarked International Financial Centre (IFC). This International Financial Services Centre (IFSC) unit is treated as an offshore jurisdiction/ foreign territory established under the Special Economic Zone (SEZ) Act, 2005 and provides financial services to non-residents and residents. The IFSC in GIFT City seeks to bring those business segments to Indian shores that are currently carried-on outside India by overseas financial institutions and overseas branches/ subsidiaries of Indian financial institutions. For all practical purposes, GIFT City is to have the same ecosystem as their present offshore location, while being physically present on Indian soil.

#### Regulatory Authority:

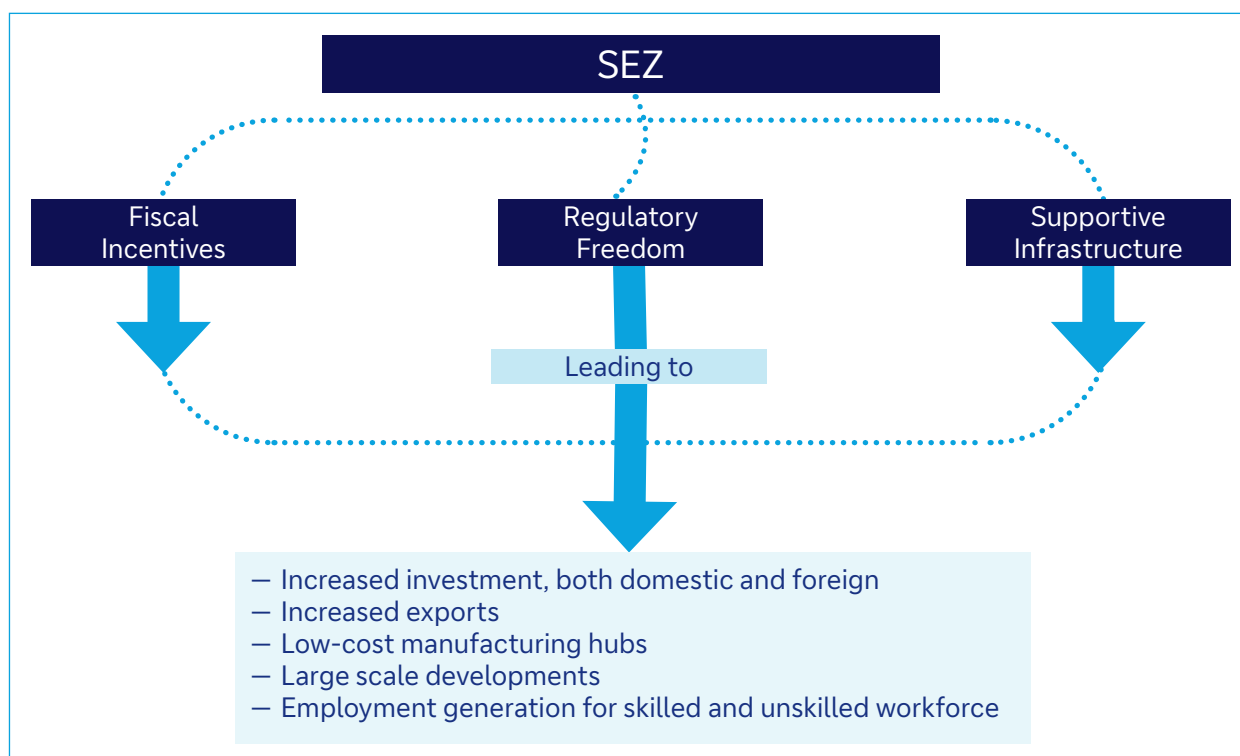
GIFT-IFSC is regulated by the International Financial Services Centres Authority (IFSCA). IFSCA is the unified authority for the development and regulation of financial products, financial services and financial institutions in the IFSC. IFSCA was established on April 27, 2020 under the International Financial Services Centres Authority Act, 2019 and is headquartered at GIFT City, Gujarat. The main objective of IFSCA is to develop a strong global connect and focus on the needs of the Indian economy and enable the IFSC to serve as an international financial platform for the entire region and the global economy.

The pictorial representation of the regulatory framework at GIFT SEZ and IFSC is depicted below:



Source: GIFT SEZ

## Business Structure at IFSC



Source: GIFT SEZ

## 14.2. GIFT-IFSC Ecosystem

Particulars	Details
<b>Regulator</b>	The International Financial Services Centres Authority (IFSCA)
<b>Regulations</b>	<p>The regulatory framework for facilitating and regulating financial services relating to the securities market in an IFSC are primarily governed by below mentioned Acts, and any rules/ regulations/ guidelines or circulars issued thereunder:</p> <ul style="list-style-type: none"> <li>– Special Economic Zones Act, 2005</li> <li>– International Financial Services Centres Authority Act, 2019</li> <li>– IFSCA (Banking) Regulations, 2020</li> <li>– IFSCA (Market Infrastructure Institutions) Regulations, 2021</li> <li>– IFSCA (Bullion Exchange) Regulations, 2020</li> <li>– IFSCA (Global In-house Centres) Regulations, 2020</li> <li>– IFSCA (Fund Management) Regulations, 2025</li> <li>– IFSCA (Capital Market Intermediaries) Regulations, 2025</li> <li>– IFSCA (Issuance and Listing of Securities) Regulations, 2021</li> <li>– IFSCA (KYC Registration Agency) Regulations, 2025</li> <li>– IFSCA (Finance Company) Regulations, 2021</li> </ul>
<b>Stock exchanges/ Trading platforms</b>	<ul style="list-style-type: none"> <li>– NSE (National Stock Exchange) IFSC Limited (NSE IX)</li> <li>– India International Exchange (IFSC) Limited (India INX)</li> <li>– India International Bullion Exchange IFSC Limited (IIBX)</li> </ul>
<b>Central counterparties</b>	<ul style="list-style-type: none"> <li>– NSE IFSC Clearing Corporation Limited (NICCL)</li> <li>– India International Clearing Corporation (IFSC) Limited (India ICC) also the clearing member for IIBX</li> </ul>
<b>Depositories</b>	– India International Depository IFSC Limited (IIDF)
<b>Market participants</b>	Banks, brokers, custodians, depository participants, fund management entities, AIFs, debenture trustees, insurance companies, bullion intermediaries, etc.

Particulars	Details
<b>Market turnover</b>	<ul style="list-style-type: none"> <li>– NSE IFSC: USD 2,195 million (As on July 11, 2025)</li> <li>– India INX: USD 8.7 million (As on July 11, 2025)</li> </ul>
<b>Securities identifier</b>	Securities are identified by the International Securities Identification Number (ISIN) – the standard code for identifying the securities held in a depository account

### 14.2.1. Products Currently Being Offered by the Stock Exchanges in IFSC

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

Particulars	Details
<b>Index derivatives</b>	<ul style="list-style-type: none"> <li>– SENSEX, India 50</li> <li>– NIFTY 50, NIFTY IT Index, FIN NIFTY Index, NIFTY Bank Index, NIFTY Bharat Bond Index</li> </ul>
<b>Debt</b>	<ul style="list-style-type: none"> <li>– Foreign currency bonds</li> <li>– Masala bonds (INR-denominated bonds issued offshore)</li> <li>– ESG compliant bonds</li> <li>– SovereignGreen/ Social/ Sustainable bonds</li> </ul>
<b>Equity derivatives</b>	– Indian single-stock derivatives
<b>Commodity derivatives</b>	<ul style="list-style-type: none"> <li>– Precious metals</li> <li>– Base metals</li> <li>– Energy</li> </ul>
<b>Currency derivatives</b> – Global currency derivatives – Rupee derivatives	<ul style="list-style-type: none"> <li>– EUR/ USD</li> <li>– GBP/ USD</li> <li>– JPY/ USD</li> <li>– CHF/ USD</li> <li>– AUD/ USD</li> <li>– INR/ USD</li> <li>– USD/ INR</li> </ul>

#### Depository Receipts

### 14.2.2. Account Structure and Currency Details

Particulars	Details
<b>Account structure</b>	Segregated nominee account structure is permitted in IFSC. Orders of foreign investors may be routed through eligible segregated nominee account providers (Providers) for trading on stock exchanges in IFSC
<b>Currency permitted for settlement</b>	The settlement of all the contracts traded in the stock exchanges in IFSC would be in USD

## 14.3. Tax Framework in the GIFT-IFSC

- Minimum Alternate Tax (MAT): 9% for IFSC units (not applicable to companies opting for the new income tax regime) (rates subject to changes)
- Securities Transaction Tax (STT): NIL
- Commodity Transaction Tax: NIL
- Stamp duty: NIL
- Dividend Distribution Tax (DDT): 10% plus applicable surcharge and tax
- Long-Term Capital Gain (LTCG): NIL
- Tax holiday for 10 consecutive years out of the block of 15 years (with respect to business income)
- Tax on capital gains on specified securities (including retail schemes and Exchange Traded Funds) listed on IFSC exchanges by a non-resident or Category III AIF located in IFSC: NIL (Gains accruing not chargeable to tax in India)

- No surcharge rate on interest for Specified Funds set up in IFSC (irrespective of legal form)
- GST on services (a) received by units in IFSC and (b) provided to IFSC/ SEZ units or offshore clients: NIL
- Tax on interest paid by IFSC units to non-residents: NIL
- Tax on interest paid to non-resident on long-term bonds and INR-denominated bonds listed on IFSC exchange: 9% (rates subject to changes)

### 14.3.1. Exempted Transactions

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

- Bonds or Global Depository Receipt
- INR-denominated bonds of an Indian company
- Derivatives
- Foreign currency-denominated bonds
- Units of a mutual fund
- Units of a business trust
- Foreign currency-denominated equity shares of a company
- Units of an Alternative Investment Fund (AIF)
- Bullion Depository Receipts (BDRs) with underlying bullion
- Units of investment trusts, viz., units of a Real Estate Investment Trust (REIT) or Infrastructure Investment Trust (InvIT))
- Units of a scheme of a fund launched by a fund management entity registered with the IFSCA
- Units of an Exchange Traded Fund launched under IFSCA (Fund Management) Regulations, 2022
- Tax exemptions provided on certain income of some IFSC units, as also to sovereign wealth funds/ pension funds, which were set to expire on March 31, 2024, proposed to be extended up to March 31, 2030

### 14.3.2. Tax Exemption for Relocation of Foreign Funds to IFSC

A comprehensive tax exemption is proposed for relocation of offshore funds to the IFSC (i.e., relocation of 'original fund' to the 'resultant fund').

The key aspects to be noted in this regard are:

- An FPI ('original fund' or its wholly-owned special purpose vehicle) may approach its DDP for approval of a one-time 'off-market' transfer of its securities to the 'resultant fund', where they will be deemed to have applied for surrender of its registration. DDP may be guided by the guidelines pertaining to surrender of FPI registration and allow the off-market transfer without prejudice to any provisions of tax laws and FEMA
- Tax exemption is available for shareholder/ unitholder/ interest-holder of foreign funds relocating to IFSC as Category III Alternative Investment Fund. Exemption is available on transfer of shares/ units/ interest in the foreign fund, in exchange for shares/ units/ interest of the Category III AIF in IFSC

The pre-conditions, in addition to extant conditions specified in the Income Tax Act, 1961 are:

- The original foreign fund must not have an investor, person resident in India, in aggregate holding more than 5% of its corpus at the time of transfer of its assets to the fund in IFSC. The condition is in addition to other conditions specified in Section 47(viia) and 47(viia) of the Income Tax Act, 1961 and is applicable to all foreign funds relocating to IFSC
- The period of tax benefits to funds relocating to IFSC, GIFT City have been extended till March 31, 2030

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

## 14.4. Other Concessions to Entities Located/ Relocating in IFSC

Entities based in the IFSC and regulated by the IFSCA and registering as an FPI in mainland India, can accept aggregate contribution from Non-Resident Indians (NRIs), Overseas Citizens of India (OCIs) and Resident Indian (RI) individuals up to 100% of the total corpus of the FPI, subject to below conditions:

- I. All contributions to the FPI are required to be pooled into a single investment vehicle at IFSC, that takes registration as an FPI with SEBI, with no side-vehicles
- II. All investors in the FPI have pari-passu and pro-rata rights in the FPI. Issuance of separate class of units by such FPI is permitted only for the purpose of segregation of currency of contribution, but must be pari-passu and pro-rata in all respects, post conversion to a common currency
- III. Diversification of investments and investors:
  - A maximum of 20% of the FPI's corpus can be invested in equity shares of a listed Indian entity
  - FPI should have a minimum of 20 investors at every point of time, where each investor's contribution does not exceed 25% of the FPI's corpus
- IV. Compliance timelines: Applicants not complying with the above condition (point III) at the time of registration as an FPI must ensure compliance within three months from the date of registration. Any passive breach of the conditions after the initial three months of registration must be rectified within three months of such breach. Active breaches (i.e., breaches caused by a market action of the FPI as opposed to price movement in the market) are considered a violation and dealt with as per extant provisions of the FPI Regulations
- V. The Investment Manager (IM)/ Fund Manager (FM) of the FPI should exercise complete independence in the investment decisions of the FPI. Further, only an Asset Management Company of a Mutual Fund registered with SEBI and sponsored by a bank regulated by the RBI or its IFSC-based subsidiary/ branch, can be the IM/ FM of the FPI
- VI. The above requirements must be fulfilled by the FPI irrespective of the actual aggregate contribution of NRIs/ OCIs/ RI individuals in the corpus of the FPI

FPIs with up to 100% aggregate contribution from NRIs, OCIs and RIs and holding more than 33% of their Indian equity Assets Under Management (AUM) in a single Indian corporate group are required to submit granular details as per the prescribed framework.

SEBI has also permitted off-market transfer of securities by FPIs for relocating to IFSC from other jurisdictions, as per guidelines. Such FPIs, seeking to operate in IFSC, can do so without undergoing any additional documentation or prior approval process; however, they are required to ensure clear segregation of funds and securities. These FPIs need to keep their respective Custodians informed about their participation in IFSC and the Custodians need to monitor compliance of this provision for their respective FPI clients. Tax exemptions for foreign funds relocating to IFSC are mentioned in section 14.3.2.





# India's Capital Markets and the J-Curve of High-Tech Adoption

## Boon-Hiong Chan

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### The J-Curve Inflection: From Pilots to Production

The J-Curve describes how early investments in new capabilities — platforms, controls, compliance and operating models — can depress near-term returns before producing a steep upswing as the ecosystem matures and the benefits compound. India's capital markets are now clearly on that upswing: initiatives in AI, distributed ledger technology (DLT) and central bank digital currency (CBDC) have moved beyond pilots into regulated, utility-grade deployment, underpinned by formal rulemaking and infrastructure modernisation.

The RBI's own views re-inforce this inflection. The Annual Report 2024–25 documents deepening progress in retail CBDC pilots (offline and programmable features) and payment system, while its Financial Stability Report (Dec-2024) cautions that widespread use of private crypto assets and stablecoins can undermine monetary policy transmission and pose macro financial risks — underscoring India's choice of prioritising CBDC and regulated tokenisation over unregulated crypto. <sup>[1][2][3]</sup>

#### 1. From Sandbox to System: Significant Milestones in 2024–2025

- **DLT codified for bond market controls:** SEBI has operationalised a DLT-based Security and Covenant Monitoring regime for non-convertible securities. Implemented by the depositories NSDL and CDSL, issuers must record asset cover and covenants on the depository-run DLT platform before ISIN activation — a structural shift from lab experiment to core market. <sup>[4]</sup>
- **FinTech and EmTech Repositories — institutionalising evidence:** In May 2024, the RBI launched the FinTech Repository (for both regulated and unregulated firms) and the EmTech Repository (for RBI-regulated entities) to capture live data on use-cases and tech stacks. Managed by the Reserve Bank Innovation Hub (RBIH), these repositories help regulators and industry calibrate policy with ground truth and trend analytics — moving from periodic surveys to continuous views. <sup>[5]</sup>

- **Tokenisation at GIFT City (IFSC):** IFSCA's consultation proposes a comprehensive framework for tokenisation of real-world assets — covering issuance, custody, trading/ settlement and risk management in the IFSC. This provides a supervised pathway for tokenised products to reach production within a regulated perimeter. <sup>[6]</sup>
- **AI governance for market participants:** SEBI's consultation (June 20, 2025) sets principles for responsible AI/ ML — model governance, investor disclosures, testing/ monitoring, fairness, privacy and cyber resilience — with accountability placed on regulated entities. Exchanges and depositories operationalise this via mandatory AI/ ML reporting portals, including NIL submissions where applicable. <sup>[10]</sup>
- **Settlement acceleration — calibrated, not rushed:** After India's transition to T+1, SEBI introduced an optional T+0 'beta' (March 2024) and has proceeded in phases — a deliberate, risk-aware path toward same-day settlement. At Global Fintech Fest 2024, SEBI Whole-time Member Ananth Narayan underscored that optional T+0 remains the prudent waypoint. He also nudged custodians and tax advisors to streamline processes for FPIs to receive sale proceeds on settlement day which started from October 2024. <sup>[11][12][13]</sup>

## 2. CBDC (₹): From Novelty to Feature-Rich Utility

The RBI's Annual Report records meaningful progress: e-rupee in circulation of about ₹1,016 crore by end-March 2025 (up from ~₹234 crore a year earlier), the retail pilot spans roughly 6 million users across 17 banks, with offline and programmability features added to improve utility. The RBI also signalled preparation for cross-border pilots, while joining BIS Project Nexus to interlink fast-payment systems with ASEAN partners, targeting go-live by 2026. <sup>[1][14][15][16]</sup>

The CBDC's programmability enables conditional payouts (e.g., targeted benefits, per-diems), offline mode extends inclusion to low-connectivity regions and alignment with existing QR rails accelerates day-one acceptance — positioning CBDC as public digital money engineered for widespread real-economy uses. <sup>[14]</sup>

## 3. Digital Trust Infrastructure

.bank.in and .fin.in domains to raise the level of cyber-trust. The RBI has directed banks to migrate to .bank.in by October 31, 2025, with the Institute for Development and Research in Banking Technology (IDRBT) as exclusive registrar — a pragmatic step to reduce phishing vectors in payments and to strengthen public confidence. <sup>[17]</sup>

## 4. RBI on Private Crypto vs. Public Digital Money (CBDC) and Supervised Tokenisation

The RBI's Financial Stability Report (Dec 2024) reiterates that widespread use of private crypto assets and stablecoins can reduce the effectiveness of monetary policy, circumvent capital-flow measures and introduce run-risk and systemic fragilities — especially as linkages with traditional finance deepen. At the same time, RBI acknowledges DLT's potential while calling out vulnerabilities like liquidity/ maturity mismatches, leverage, operational fragilities and hence India's preference for CBDC and regulated tokenisation over retail crypto adoption. <sup>[2][3]</sup>

## 5. What These Could Mean for Products, Participation and Inclusion

- **Tokenised products:** As IFSCA finalises its framework, it can pave the way for tokenised real world assets and financial products to test liquidity and cross-border participation via IFSC structures <sup>[6]</sup>

- **AI-shaped asset management:** With governance clarifications, managers can scale AI-driven portfolio construction, risk analytics and client personalisation while aligning with testing and disclosure expectations <sup>[7][8][9]</sup>
- **Programmable cash and inclusion:** CBDC programmability plus offline mode strengthens last-mile disbursements and expense controls, while extending digital payments to low-connectivity areas <sup>[14]</sup>
- **Faster settlement and overseas flows:** SEBI's calibrated T+0 and the operational fix for same-day FPI remittances improve reinvestment velocity without sacrificing control <sup>[11][13]</sup>

## 6. Reality Check: Adoption Gaps, Policy Trade-offs and Execution Risks

CBDC vs UPI scale: CBDC retail usage remains nascent relative to UPI's ubiquity. The RBI's focus is on utility features (offline, programmable) and ecosystem incentives while it scales. <sup>[1][14]</sup>

Data, cloud and AI supervision in motion: Expect repository insights and SEBI's consultations to inform iterative guidance on cloud, AI and cyber — so architectures must be built for change. <sup>[5][7]</sup>

Operational readiness for T+0: Same-day settlement compresses intraday liquidity and collateral windows, SEBI's phased approach mitigates risk, but intermediaries must re-engineer pre-funding, inventory and tax workflows to keep fails and costs in check. <sup>[11][12]</sup>

Policy implications include reskilling incentives, privacy-preserving data access frameworks and export-incentive alignment for AI-enabled services. These themes align with SEBI's domestic guardrails on responsible AI usage, cybersecurity and cloud adoption — ensuring that India's capital market and its related outsourcing backbone evolves in tandem with digitisation.

## 7. Direction of Travel (2025–2026): What We are Watching

- **AI/ ML/ GenAI:** Continued policy and legislative calibrations
- **CBDC:** Cross-border pilots and continued scale-up of offline/ programmable retail use, broader wholesale pilots beyond G-secs as operational learnings accumulate <sup>[1][14]</sup>
- **Crypto/ stablecoins:** Continued international alignment (IMF-FSB Roadmap, FATF Travel Rule implementation) reflected in RBI stability communications, no signal of retail crypto liberalisation <sup>[2]</sup>
- **Repositories policy:** How insights from FinTech/ EmTech Repositories feed into cloud/ AI/ cyber circulars and supervisory expectations for model inventories and explainability <sup>[5]</sup>
- **Payments interlinkage:** Project Nexus moving towards go live by 2026 with India as a founding member alongside ASEAN Faster Payment Systems (FPS) — progressively normalising instant cross-border retail payments <sup>[15][16]</sup>

## Conclusion

India's capital market is growing in tandem with leading-edge technologies that have moved from pilot to production: DLT is embedded in the bond market, tokenisation is gaining a formal rulebook, AI oversight is becoming regulatorily auditable, settlement is compressing with a calibrated approach and CBDC now carries features that matter operationally. The prize is clear — broader participation, new product classes, more efficient capital market plumbing and greater cross-border relevance — provided the industry continues to execute at scale while managing stability, asset and investor protection guardrails. <sup>[4][6][8][11][14]</sup>

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Reserve Bank of India (RBI)	<a href="https://www.rbi.org.in/">https://www.rbi.org.in/</a>
Securities and Exchange Board of India (SEBI)	<a href="https://www.sebi.gov.in">https://www.sebi.gov.in</a>
Bombay Stock Exchange (BSE)	<a href="https://www.bseindia.com">https://www.bseindia.com</a>
National Stock Exchange (NSE)	<a href="https://www.nseindia.com">https://www.nseindia.com</a>
Indian Clearing Corporation Limited (ICCL)	<a href="https://www.icclindia.com">https://www.icclindia.com</a>
NSE Clearing Limited (NCL)	<a href="https://www.nscclindia.com">https://www.nscclindia.com</a>
National Securities Depository Limited (NSDL)	<a href="https://nsdl.co.in/">https://nsdl.co.in/</a>
Central Depository Services (India) Limited (CDSL)	<a href="https://www.cdslindia.com">https://www.cdslindia.com</a>
Press Information Bureau	<a href="https://pib.gov.in">https://pib.gov.in</a>
The Gazette of India	<a href="https://egazette.gov.in/">https://egazette.gov.in/</a>
Ministry of Finance	<a href="https://finmin.gov.in/">https://finmin.gov.in/</a>
Department for Promotion of Industry and Internal Trade (DPIIT)	<a href="https://dpiit.gov.in">https://dpiit.gov.in</a>
CDSL Ventures Limited (CVL)	<a href="https://www.cvlkra.com">https://www.cvlkra.com</a>
NSDL Database Management Limited (NDML)	<a href="https://www.ndml.in/kra.php">https://www.ndml.in/kra.php</a>
International Organization of Securities Commissions (IOSCO)	<a href="https://www.iosco.org">https://www.iosco.org</a>
Bank for International Settlements (BIS)	<a href="https://www.bis.org">https://www.bis.org</a>
Financial Action Task Force (FATF)	<a href="https://www.fatf-gafi.org">https://www.fatf-gafi.org</a>
International Financial Services Centres Authority (IFSCA)	<a href="https://www.ifsc.gov.in">https://www.ifsc.gov.in</a>
Insurance Regulatory and Development Authority of India (IRDAI)	<a href="https://irdai.gov.in/home">https://irdai.gov.in/home</a>

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## Glossary of Abbreviations

Abbreviation	Full word
AD	Authorised Dealer
ADR	American Depository Receipt
AGM	Annual General Meeting
AI	Approved Intermediary
AIF	Alternative Investment Fund
AML	Anti-Money Laundering
ARC	Asset Reconstruction Company
ASBA	Application Supported by Blocked Amount
ASL	Authorised Signatory List
BDR	Bullion Depository Receipt
BIS	Bank for International Settlements
BO	Beneficial Owner/ Beneficial Ownership
BSE	Bombay Stock Exchange
CAF	Common Application Form
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	Compulsorily Convertible Debenture
CCEA	Cabinet Committee on Economic Affairs
CCIL	Clearing Corporation of India Limited
CCP	Central Counterparty
CD	Certificate of Deposit
CDIL	Corporate Debt Investment Limit
CDSL	Central Depository Services (India) Limited

Abbreviation	Full word
CFT	Combating the Financing of Terrorism
CIS	Collective Investment Scheme
CM	Clearing Member
COI	Certificate of Incorporation
CP	Commercial Paper
CPI	Consumer Price Index
CRS	Common Reporting Standards
CSGF	Core Settlement Guarantee Fund
CSGL	Constituent Subsidiary General Ledger
DDP	Designated Depository Participant
DEA	Department of Economic Affairs
DII	Domestic Institutional Investor
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/ Electronic Bidding Platform
ETCD	Exchange Traded Currency Derivatives
ETF	Exchange Traded Fund
EOU	Export Oriented Unit

Abbreviation	Full word
F&O	Futures and 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
FCNR	Foreign Currency Non-Resident (account)
FCNR(B)	Foreign Currency Non-Resident (Bank) (account)
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
FII	Foreign Institutional Investor
FMC	Forward Markets Commission
FMI	Financial Market Infrastructure
FMP	Fixed Maturity Plan
FPI	Foreign Portfolio Investor
FPO	Follow-on Public Offer
FRB	Floating Rate Bond
FVCI	Foreign Venture Capital Investor
FX	Foreign Exchange
FY	Financial Year
GAAR	General Anti-Avoidance Rule
GAH	Gilt Account Holder
GC	Global Custodian
GDP	Gross Domestic Product
GDR	Global Depository Receipt
GIFT City	Gujarat International Finance Tec-City
GOI	Government of India
G-Sec	Government Security
GST	Goods and Services Tax
HNI	High Net-worth Individual
ICCL	Indian Clearing Corporation Limited
ICDM	Indian Corporate Debt Market
ICDR	Issue of Capital and Disclosure Requirements

Abbreviation	Full word
IDFI	Indian Development Finance Institutions
IDR	Indian Depository Receipt
IFSC	International Financial Services Centre
IGA	Inter-Governmental Agreement
INR	Indian Rupee
InvIT	Infrastructure Investment Trust
IOSCO	International Organization of Securities Commissions
IPO	Initial Public Offer
IPP	Institutional Placement Programme
IRDAI	Insurance Regulatory and Development Authority of India
IRF	Interest Rate Future
ISIN	International Securities Identification Number
ITD	Income Tax Department
ITP	Institutional Trading Platform
ITR	Income Tax Return
IVCU	Indian Venture Capital Undertaking
KMP	Key Managerial Personnel
KRA	KYC Registration Agency
KYC	Know Your Client
LEI	Legal Entity Identifier
LLP	Limited Liability Partnership
LOU	Local Operating Unit
MAT	Minimum Alternate Tax
MCA	Ministry of Corporate Affairs
MCCIL	Metropolitan Clearing Corporation of India Limited
MCX	Multi Commodity Exchange of India Limited
MEA	Ministry of External Affairs
MF	Mutual Fund
MHA	Ministry of Home Affairs
MIM	Multiple Investment Managers
MMoU	Multilateral Memorandum of Understanding
MoA	Memorandum of Association
MoF	Ministry of Finance
MRC	Minimum Required Capital
MSME	Micro, Small and Medium-sized Enterprises
MSEI	Metropolitan Stock Exchange of India

Abbreviation	Full word
MTM	Mark to Market
MWPL	Market Wide Position Limit
NAV	Net Asset Value
NBFC	Non-Banking Financial Company
NCD	Non-Convertible Debenture
NCDEX	National Commodity & Derivatives Exchange Limited
NCL	NSE Clearing Limited
NCRPS	Non-Convertible Redeemable Preference Shares
NDS-OM	Negotiated Dealing System - Order Matching
NEFT	National Electronic Funds Transfer
NOC	No Objection Certificate
NRE	Non-Resident External (account)
NRI	Non-Resident Indian
NSDL	National Securities Depository Limited
NSE	National Stock Exchange
NTRP	Negotiated Trade Reporting Platform
OCI	Overseas Citizen of India
OCB	Overseas Corporate Bodies
ODI	Offshore Derivative Instrument
OFS	Offer for Sale
OTC	Over-the-Counter
PAN	Permanent Account Number
PD	Primary Dealer
PDO	Public Debt Office
PE	Permanent Establishment
PIO	Person of Indian Origin
PIS	Portfolio Investment Scheme
PM	Primary Member
PMLA	Prevention of Money-Laundering Act, 2002
POA	Power of Attorney
PPM	Private Placement Memorandum
PPP	Public Private Partnership
PSU	Public Sector Undertaking
PTC	Pass Through Certificate
QFI	Qualified Foreign Investor
QIB	Qualified Institutional Buyer
QIP	Qualified Institutions Placement

Abbreviation	Full word
RBI	Reserve Bank of India
RDM	Retail Debt Market
REIT	Real Estate Investment Trust
RI	Resident Indian
RFQ	Request for Quote
RTGS	Real Time Gross Settlement
SAT	Securities Appellate Tribunal
SCRA	Securities Contracts (Regulation) Act, 1956
SDL	State Development Loan
SDR	Strategic Debt Restructuring
SEBI	Securities and Exchange Board of India
SEZ	Special Economic Zone
SGF	Settlement Guarantee Fund
SGL	Subsidiary General Ledger Account
SLB	Securities Lending and Borrowing
SLBS	Security Lending and Borrowing Scheme
SLR	Statutory Liquidity Ratio
SME	Small and Medium Enterprise
SMO	Senior Managing Official
SNAS	Segregated Nominee Account Structure
SNRR	Special Non-Resident Rupee (account)
SPD	Standard Primary Dealer
SPV	Special Purpose Vehicle
STT	Securities Transaction Tax
TAN	Tax Deduction/ Collection Account Number
T-Bill	Treasury Bill
TC	Tax Consultant
TDR	Transfer of Development Rights
UBO	Ultimate Beneficial Owner
UCC	Unique Client Code
UPSI	Unpublished Price Sensitivity Information
VaR	Value-at-Risk
VC	Venture Capital
VCF	Venture Capital Fund
VCU	Venture Capital Undertaking
VRR	Voluntary Retention Route
WHT	Withholding Tax
ZCB	Zero Coupon Bond



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