Trust and Securities Services

Namaste India

The comprehensive guide
to investing in India

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Deutsche Bank

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Foreword

1 Accessing India's Capital Market

1.1. India in a Changing Global Landscape

In a global landscape marked by shifting geopolitics, uneven growth and heightened market uncertainty, India continues to strengthen its position as a resilient and opportunity-led economy. Supported by domestic demand, sustained public investment, expanding digital infrastructure and progressive market reforms, India's growth story is increasingly being shaped by deeper financialisation and wider investor participation. Capital markets remain central to this transformation — linking savings with enterprise, enabling market-based financing and providing foreign investors with a transparent, regulated and increasingly diversified investment ecosystem.

India's market evolution has been supported by a multi-year reform journey focused on improving market access, strengthening governance, enhancing transparency and building investor confidence. These reforms have contributed to deeper participation across domestic and international investors while reinforcing trust in market institutions — an essential pillar of sustainable capital formation. As India advances towards its next phase of development, supported by innovation, digital infrastructure, energy transition and expanding entrepreneurial activity, capital markets are expected to play an increasingly important role in connecting global capital with India's growth ambitions. For investors, India today represents not only a compelling growth opportunity, but also a market founded on trust, regulatory stability and an enduring commitment to inclusive economic development.

In such scenarios Namaste India provides 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.

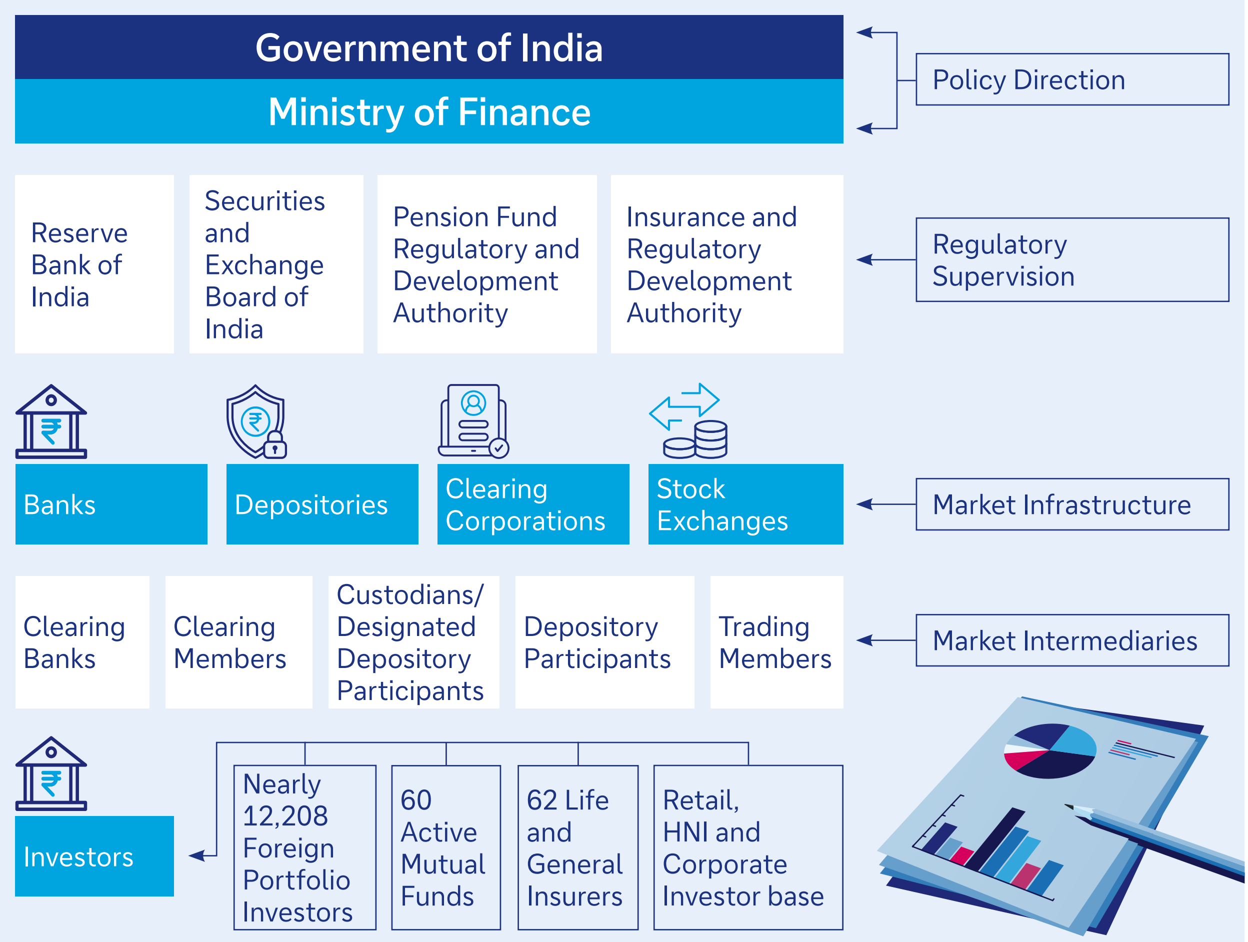
1.2. Objective

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. This edition covers all the regulatory and procedural changes notified till July 31, 2026 as well as additional or amended material as applicable on the key aspects relevant to foreign investors.

1.3. Overview of India's Capital Market Framework

1.3.1. 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.



1.4. Legal Framework

1.4.1. 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

1.5. Capital Market Overview

Regulators	— Reserve Bank of India (RBI) — Securities and Exchange Board of India (SEBI) — Insurance Regulatory and Development Authority of India (IRDAI) — Pension Fund Regulatory and Development Authority (PFRDA)
Central bank	Reserve Bank of India (RBI)
Stock exchanges/ Trading platforms	— National Stock Exchange (NSE) — Bombay Stock Exchange (BSE) — Metropolitan Stock Exchange of India (MSEI) — Multi Commodity Exchange (MCX) — National Commodity and Derivatives Exchange (NCDEX) — Negotiated Dealing System-Order Matching (NDS-OM) for trading, reporting of Government Securities (G-Sec)
Central counterparties	— NSE Clearing Limited (NCL) — BSE Clearing Limited (BSECL) — Multi Commodity Exchange Clearing Corporation Limited (MCXCCL) — National Commodity Clearing Limited (NCCL) — Clearing Corporation of India Limited (CCIL) for clearing and settlement of G-Sec
Depositories	— National Securities Depository Limited (NSDL) — Central Depository Services (India) Limited (CDSL) — RBI for Government debt and Treasury Bills

Market participants	Brokers, Custodians, Designated Depository Participants, Foreign Portfolio Investors, Domestic Asset Management Companies, Insurance Companies, Banks, Financial Institutions, Corporates and Retail Investors.
Securities identifier	International Securities Identification Number (ISIN). NSDL is the National Numbering Agency in India for issuing ISINs.

1.6. Trading Guidelines Overview

Account structure	Segregated securities, cash and depository account

Trading hours	**Cash/ Capital markets**
	— Equity based on choice of settlement cycle:
	— T+1 settlement: 09:15 to 15:30 IST*
	— T+0 settlement: 09:15 to 13:30 IST*
	* (Pre-open call session: 09:00 to 09:15 IST)
	— Securities Lending and Borrowing (SLB) segment: 09:00 to 17:00 IST
	Fixed Income/ Debt segment
	— Corporate bonds:
	  — Electronic bidding platform (EBP): 09:00 to 17:00 IST
	  — Request for quote (RFQ) platform: 09:00 to 17:00 IST
	— G-Sec market: NDS-OM Web: 09:00 to 17:00 IST
	Listed derivatives
	— Futures and Options: 09:15 to 15:40 IST
	— 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)
	'T' here refers to the Trade date.

Trade reporting	**Debt segment** — Corporate bonds: OTC Corporate Bond (CBRICS) Platform: 09:00 to 17:15 IST on trade date — G-Sec market: NDS-OM reporting module: 09:00 to 17:00 IST (+3 hours for reporting of OTC trades by FPIs

Settlement cycle	— Equities
	  — T+1 rolling settlement (default)
	  — T+0 — Optionally available for limited tradable securities
	— SLB: T+1
	— Derivatives: T+1 (mark-to-market margin). Physical settlement on expiry of contract follows T+1 cycle
	— G-Sec: T+1/ T+2 (OTC) and T+1 for NDS-OM Web. All confirmations to be completed on T
	— Corporate bonds: T+1 (exchange-traded) and T+0 to T+2 (as agreed between counterparties in OTC market)

Short selling	Permitted only against Borrow positions in the SLB segment. Naked short selling not permitted.
Fail trades	— Equities: Buy-in will be conducted by the exchange. Penalties will be levied. No auction/ buy-in for T+0 trades — Corporate bonds: Default by one party results in fail trade and funds/ securities are returned
Settlement currency	Indian Rupee (INR); convertible (onshore)

1.7. Asset Classes

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

Market Segment	Instruments
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.

Fixed income	— Government Securities
	  — Treasury Bills/ Zero-Coupon Bonds, Coupon Bearing Bonds, STRIPs in G-Sec
	  — Coupon Bearing Bonds
	  — Municipal Bonds
	— Public Sector Bonds
	  — Coupon Bearing Debentures
	  — PSU Bonds, Coupon Bearing Debentures
	— Private Sector Bonds
	  — Indian Rupee denominated — Debentures, Bonds,
	  — Floating Rate Bonds, Zero Coupon Bonds, Commercial Papers

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)

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
	— Commodities Derivatives
	  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

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. Currently there is no IDR listed in India.

FACT CHECK – Market Capitalisation

BSE: USD 5.140 trillion (Jul '25) → USD 5.094 trillion (Jul '26) ↓ 0.90%

NSE: USD 5.108 trillion (Jul '25) → USD 5.087 trillion (Jul '26) ↓0. 42%

Forex reserves: USD 682 billion (Jul '26)

Source: BSE Historical Reports, NSE capital market data and RBI Statistical Supplement

1.8. 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.

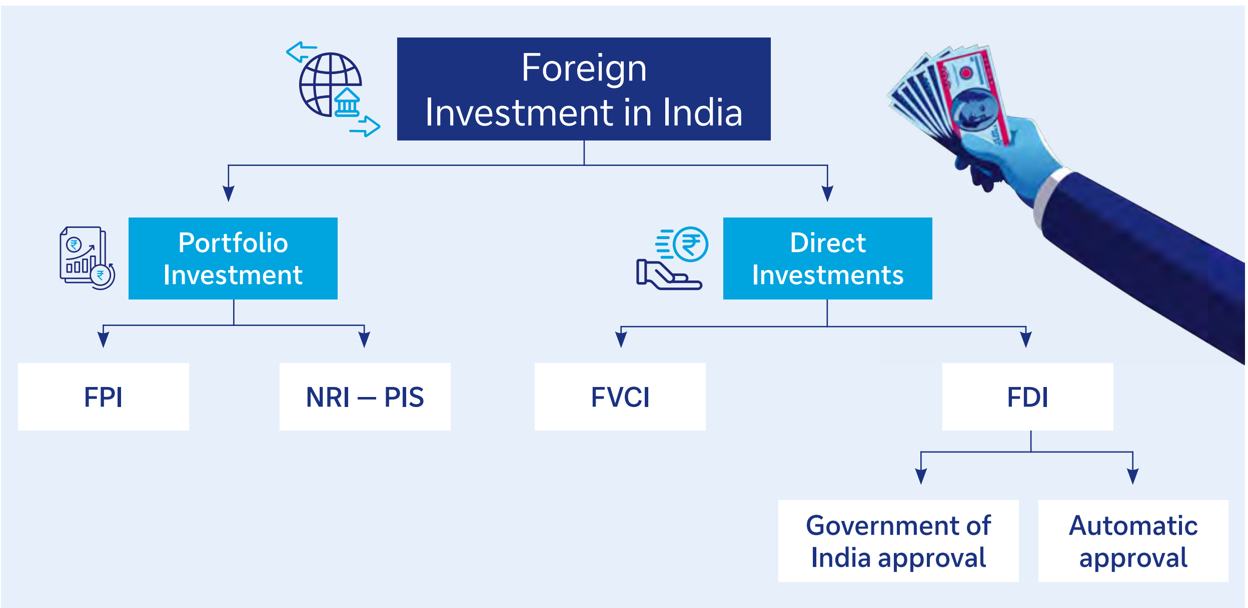
2 Investment Routes into India

2.1. 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)/ individual Persons Resident Outside India (PROI):** 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

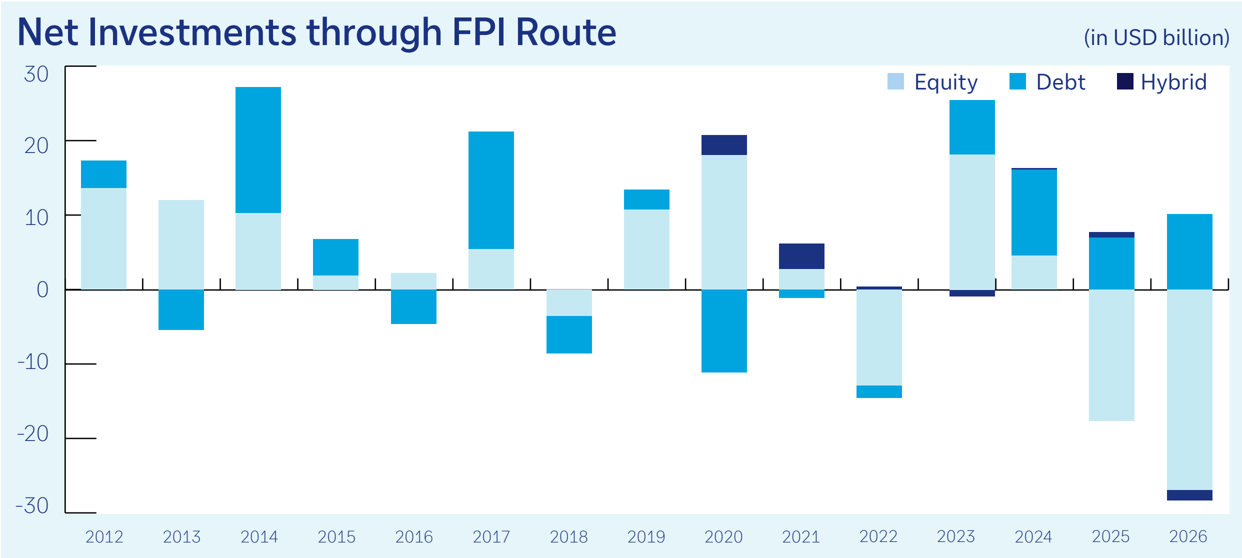
Given below is a snapshot of various investment routes available to foreign investors for accessing Indian capital markets:



2.1.1. Foreign Portfolio Investor

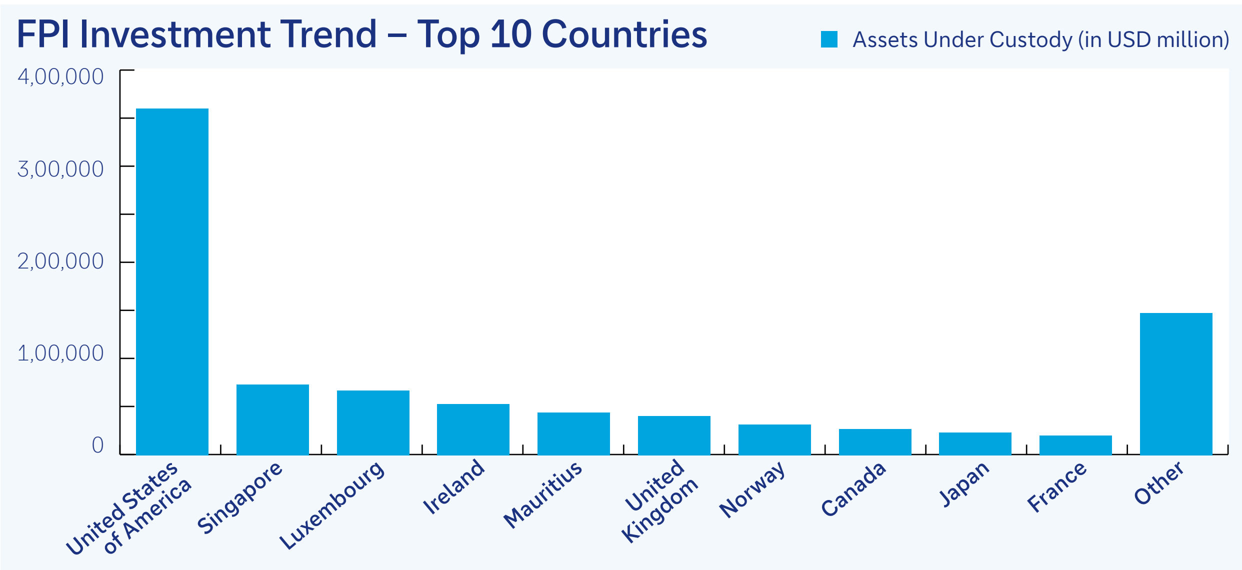
- Investments under this route are primarily governed by the SEBI (Foreign Portfolio Investors) Regulations, 2019 and guidelines as specified under the Foreign Exchange Management (Debt Instruments) Regulations, 2019 and Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 issued by the Government of India and Reserve Bank of India (RBI) as amended from time to time
- Registration is mandatory prior to initiating investments. Foreign investors must submit the application form (CAF), KYC-related documents along with fees to the DDP for registration as an FPI
- 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 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



* Figures till July 2026

Source: National Securities Depository Limited (NSDL) statistics



Figures till July 2026

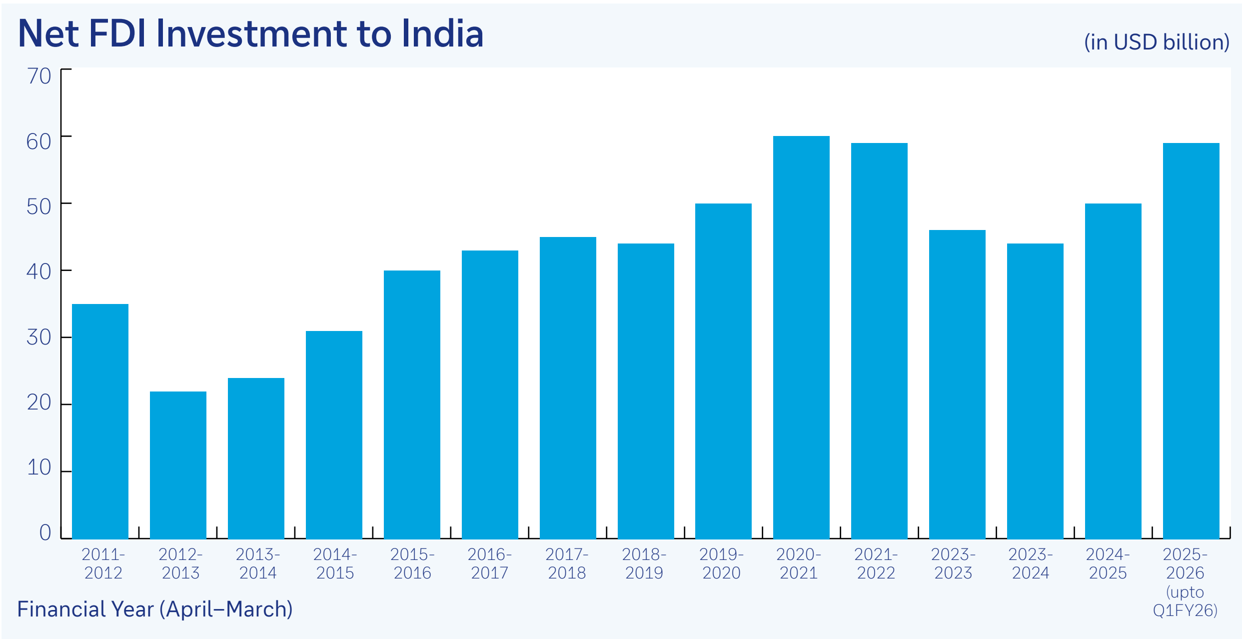
Source: National Securities Depository Limited (NSDL) statistics

2.1.2. 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, as amended from time to time
- 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 of India 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, under the FDI policy. 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.

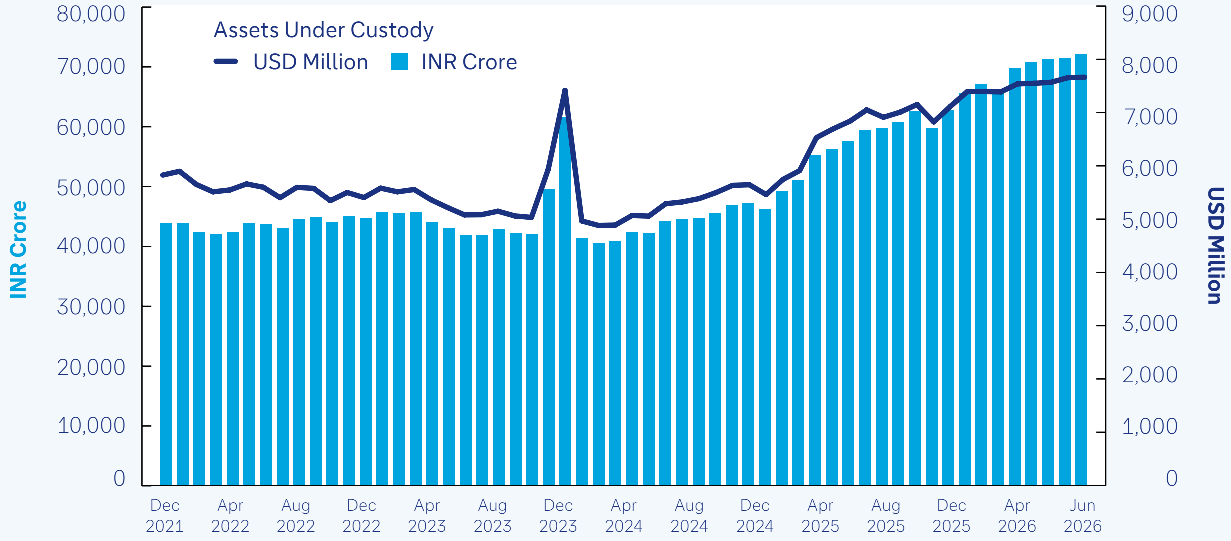


Source: Department for Promotion of Industry and Internal Trade (DPIIT)

2.1.3. 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 (Non-Debt Instruments) Rules, 2019 administered by the Government of India and RBI as amended from time to time
- SEBI registration is mandatory. Foreign entities must submit the application form along with supporting documents and fees, to the DDP, for registration as an FVCI applicant
- Appointment of domestic Custodian and an Authorised Dealer (AD) Category I Bank is mandatory. Entities acting as a DDP for registration will also support as a custodian
- 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

2.1.4. Non-Resident Indians/ Overseas Citizen of India/ individual Persons Resident Outside India (PROI)

— 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 10% of the total paid-up equity capital of a listed Indian company on a fully diluted basis and overall composite limit of 24% for all NRIs/ OCIs combined

2.1.5. 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

2.2. 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.

2.3. 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#	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
	Units of 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 ≥ INR 1 billion and average monthly trading turnover ≥ 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 ≤ 1%

^ These investments are recognised under the Schedule VIII of Foreign Exchange Management (Non-debt Instruments) Rules, 2019

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

3 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.

3.1. 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: **Foreign Direct Investment Policy | Department for Promotion of Industry and Internal Trade**

- 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.

3.2. 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
- **Government Route:** Government approval required for investments by a person resident outside India:
  1. Sectors specified as part of the FDI policy.
  2. Investors with beneficial ownership of more than 10% or controlling beneficial ownership from persons based in or a citizen of Land Border Countries.

3.3. 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.

Cumulative Time Period

1 week

FDI proposal filed on NSWS. For applicable cases, Security Clearance Form to be uploaded separately

→ DPIIT disseminates the proposal within two days to the concerned Ministry/ Department (viz. Competent Authority), RBI, MEA and for proposals requiring security clearance, the MHA

2-4 weeks

The Competent Authority scrutinises the proposal and if required, requisitions relevant additional information/ documents from the applicant through FIFP

→ DPIIT provides clarification on specific issues of FDI Policy, as may be referred by the Competent Authority

8 weeks

All consulted authorities i.e., Ministries/ Departments and Regulatory bodies upload their comments on the FIFP

10-12 weeks

Competent Authority processes the application complete in all respects and conveys decision to the applicant through FIFP

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

Additional information:

- As part of FDI application on NSWS (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
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
Private security agencies	Ministry of Home Affairs
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

3.4. 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.

3.5. 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.

3.6. Overview of Investments under FDI Scheme

Particulars	Details
Modes of Investment	**Fresh issuance:** 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. **Secondary purchase:** — 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 [#]Refer the note below for various scenarios of such transfers — 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

Particulars	Details
Pricing Guidelines	**Fresh issuance:** An Indian company may issue fully paid-up equity shares to a person resident outside India at a price not less than: — The price calculated as per SEBI guidelines for a listed company — 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 **Secondary purchase:** Transfer from a person resident in India to a person resident outside India shall be done at a price not exceeding: — The price calculated as per SEBI guidelines in case of a listed company — 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 — 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
Account Structure	— The entity seeking to invest under FDI route is permitted to open a securities and depository account with a custodian/ depository participant for safekeeping of securities acquired — Special Non-Resident Rupee (SNRR) account is permitted to be opened for FDI transactions

Mode of Payment and Remittance of Sale Proceeds	**Mode of payment:**
	— The amount of consideration shall be paid as below:
	    — Inward remittance from abroad through banking channels
	    — 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
	— The amount of consideration shall include:
	    — Issue of equity shares to the investor by an Indian company against any funds payable by it
	    — Swap of equity instruments
	
	Issuance of shares:
	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.
	
	Remittance of sale proceeds:
	— 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
	— Dividends are subject to withholding tax (WHT) provisions and can be repatriated subject to payment of applicable taxes, if any
	— Interest on fully and mandatorily convertible debentures is also subject to WHT provisions and can be repatriated subject to payment of applicable taxes

#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

3.7. 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.

4 Foreign Venture Capital Investment

Venture capital investments play a vital role in fostering innovation, supporting entrepreneurship and facilitating the commercialisation of scientific and knowledge-based technologies. Venture Capital Funds have significant potential for augmenting the growth of knowledge-based industries such as information technology, biotechnology, pharmaceuticals, agriculture, food processing, etc.

4.1. Legal and Regulatory Framework

Regulator	Applicable regulations/ guidelines
Securities and Exchange Board of India (SEBI)	— SEBI (Foreign Venture Capital Investors) Regulations, 2000 (FVCI Regulations) — SEBI (Alternative Investment Funds) Regulations, 2012 (AIF Regulations) — Operational Guidelines for Foreign Venture Capital Investors (FVCIs) and Designated Depository Participants (DDPs) — Master Circular for FVCIs
Reserve Bank of India (RBI)	— Consolidated FDI Policy issued by the Department for Promotion of Industry and Internal Trade (DPIIT)Foreign Exchange Management (Non-debt Instrument) Rules, 2019 — Foreign Exchange Management (Mode of Payment and Reporting of Non-debt Instruments) Regulations, 2019 — Master Directions for Foreign Investments in India

4.2. 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 and business with high growth potential. This is a fund registered with SEBI under the SEBI (Venture Capital Funds) Regulation 1996 or SEBI (Alternate Investment Funds) Regulations, 2012 under the sub-category 'VCF' under Category I AIF
Venture Capital Undertaking (VCU)	A domestic company which is unlisted at the time of making investment; and is engaged in business for providing services, production or manufacture of article or things and does not include following activities or sectors — non-banking financial companies, other than Core Investment Companies (CICs) in the infrastructure sector, Asset Finance Companies (AFCs) and Infrastructure Finance Companies (IFCs) registered with Reserve Bank of India; — gold financing; — activities not permitted under industrial policy of Government of India; — any other activity which may be specified by the Board in consultation with Government of India from time to time
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) or a partnership firm etc., incorporated or registered in India — Has not completed 10 years from the date of incorporation/ registration — Annual turnover of less than INR 2 billion, for any of the financial years since incorporation/ registration — Engaged in innovation, development or improvement of products/ processes/ services or has a scalable business model with a high potential for employment or wealth creation

4.3. 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.

4.3.1. 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

4.3.2. 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 7 — Section 7.1.1.)

Registration Fee

Fee Type	Amount
Registration Fee	USD 2,500 + GST @18% = 2,950 # INR 230,000 + GST @ 18% = 271,400

Effective January 7, 2027, payment of registration fees will be in INR or equivalent foreign exchange

4.3.3. 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 FVCI shall inform SEBI and the DDP in writing, as soon as possible but not later than seven working days

4.3.4. 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
Continuance/ Renewal Fee	USD 100 + GST @18% = 118 # INR 9000 + GST @18% = 10,620
Late Fee	USD 5 per day for each day of delay, subject to maximum of USD 150 # INR 500 per day for each day of delay, subject to maximum of INR 15000 + 18% GST

Effective January 7, 2027, payment of renewal/ late fees will be in INR or equivalent foreign exchange

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.

Additionally, 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

4.3.5. 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

4.3.6. 'Framework for 'Single Window Automatic and Generalised Access for Trusted Foreign Investors' (SWAGAT-FI)

A framework for FPIs and FVCIs offering a simplified, unified and low compliance approach for objectively identified low-risk foreign investors. The framework aims to provide easier market access for low-risk foreign investors, reduce repetitive documentation and compliance requirements.

The key features of the SWAGAT-FI framework are:
- SWAGAT-FI eligible FVCI applicants may apply for FVCI registration simultaneously with their FPI application, without submitting separate application form or supporting documents. The FVCI application will be processed based on the information and documents provided for FPI registration
- FVCI meeting the requirements for SWAGAT-FI FPI may convert to SWAGAT-FI FVCI by application to its DDP
- The Custodian and DDP for both FPI and FVCI registration must be the same entity
- Continuance/ renewal fees to be paid for every block of 10 years for SWAGAT-FVCI
  - The KYC review shall be conducted every 10 years or such other periodicity as may be specified by RBI (for RBI regulated entities) and/ or respective DDP's internal policy subject to risk categorisation determined by the DDP
  - A single demat account for holding all securities acquired as FPI, FVCI
  - For fees pertaining to SWAGAT FI registration, please refer section 5.9 of the book

4.4. Other Applicable Norms

4.4.1. 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

Upon 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 confirmation letter to the FVCI on the name change along with fresh registration certificate.

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. Upon receipt of the PAN card in the new name, DDP/ Custodian to complete the KYC on KRA and amend the name in the cash and depository accounts.

4.4.2. Home Jurisdiction Compliance

- If a jurisdiction, which was compliant jurisdiction 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

4.4.3. Change in Material Information

A FVCIs must notify the DDP in writing, of any material change in information previously furnished by the FVCI to DDP and/ or SEBI 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 classified as below:

Topic	Type I	Type II
Definition and Impact	Critical material changes that must be informed by FVCI along with supporting documents. This category includes changes that — render the FVCI ineligible for registration — require FVCI to seek fresh registration — render FVCI ineligible to make fresh investments — impact any privileges available or granted to the FVCI under the extant regulatory framework — impact any exemptions available or granted to the FVCI under the extant regulatory framework	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'

Topic	Type I	Type II
Compliance Timelines	— To be informed as soon as possible and within seven working days of the change — Supporting documents to be provided within 30 days of the change	To be informed along with supporting documents (if any) as soon as possible and within 30 days of such change
Categories	— Change of Jurisdiction — Name change on account of acquisition, merger, demerger, restructuring, change of ownership/ control — Acquisition/ merger/ demerger resulting in cessation of existence of FVCI — Restructuring of legal form (e.g. Corporate to trust) — 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 — Any information or particulars previously submitted to SEBI or the 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 — Breach of any of the eligibility criteria as specified under section 4.3.1. above	Any material changes other than those considered as Type I material change
Re-assessment of Eligibility	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	
Delays	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	

4.5. Investment Guidelines

<table>
<tr><th colspan="2">Investment Restrictions</th></tr>
<tr><td>Permitted Investment</td><td>
An FVCI may purchase the following securities/ instruments either from the issuer of the securities/ instruments or from any person holding such securities/ instruments

Unlisted securities of an Indian company engaged in ‘permitted sectors’ (refer below)
Securities issued by an Indian ‘start-up’ irrespective of the sector of the start-up
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

FVCI may acquire/ transfer securities/ instruments to any person resident in or outside India, at a price mutually acceptable to both buyer and seller
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
</td></tr>
<tr><td>Investment Conditions</td><td>
Investments to be in accordance with the investment strategy submitted to SEBI
Total funds committed may be invested in a single AIF
The following investment split must be achieved by the FVCI by the end of its lifecycle:

Minimum 66.67%, i.e., 2/3rd of the investible funds to be invested in unlisted equity shares or equity linked instruments of VCU or investee company
Maximum 33.33%, i.e., 1/3rd of the investible funds may be invested in:

IPOs of a VCU or investee company as defined above, whose shares are proposed to be listed
Debt or debt instrument of VCU or investee company in which the FVCI has already made an investment by way of equity

Preferential allotment of equity shares of a listed company, subject to a lock-in period of one year
FVCI to disclose the duration of life cycle of the fund
Special Purpose Vehicle (SPV) created for the purpose of facilitating or promoting investment under the FVCI Regulations
</td></tr>
<tr><td>Permitted Sectors</td><td>FVCI investments are permitted in the following sectors:
Biotechnology
IT related to hardware and software development
Nanotechnology
Seed research and development
Research and development of new chemical entities in pharmaceutical sector
Dairy industry
Poultry industry
Production of biofuels
Hotel-cum-Convention centres with seating capacity exceeding 3,000
Infrastructure sector (includes activities within the scope of ‘infrastructure’ under the External Commercial Borrowing guidelines/ policies)
</td></tr>
<tr><th colspan="2">Payment and Remittance</th></tr>
<tr><td>Mode of Payment</td><td>
Consideration to be paid as inward remittance from abroad through banking channels or out of funds held in an FCA and/ or SNRR account
Unless specifically permitted otherwise, FCA to be used only and exclusively for FVCI transactions
</td></tr>
<tr><td>Remittance of Sale/ Maturity Proceeds</td><td>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</td></tr>
</table>

4.6. Reporting Requirement

Report	Reporting to	Submission Timeline	Responsibility	Reporting Portal	Regulation
Quarterly report on venture capital activity	SEBI	Within 15 calendar days from the end of the previous quarter	FVCI	SEBI Intermediary Portal (SI Portal): https://siportal.sebi.gov.in/intermediary/index.html	SEBI | Reporting by Foreign Venture Capital Investors
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): https://firms.rbi.org.in/firms/faces/pages/login.xhtml	FEMA (Mode of Payment and Reporting of Non-debt Instruments) Regulations, 2019

4.7. 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.

5 Foreign Portfolio Investor

5.1. Introduction

The Foreign Portfolio Investor (FPI) regime was introduced in 2014 by consolidating the erstwhile Foreign Institutional Investor (FII/ Sub-account) route and the Qualified Foreign Investor (QFI) route, with an objective of streamlining market access and enhancing operational efficiency. Securities and Exchange Board of India (SEBI), has periodically implemented significant reforms to simplify and rationalise the market entry process.

Foreign Portfolio Investors — Market Entry Flowchart

Investor – FPI Route

FPI

Registration
- CAF submitted through NSDL portal
- DDP due diligence process and KYC completion
- Grant of FPI registration and issuance of certificate
- Application routed to Income Tax Authority for PAN issuance

Post-Registration
- Setup custody arrangements and open securities/ cash accounts in custody books
- Open demat account with Central Securities Depositories (NSDL or CDSL)
- Open CGSL account for Government securities (Central Bank – RBI – Central Depository)
- Open INR bank account
- Application for UCC/ CP code — Investor's unique ID for trading on stock exchanges
- KYC documents upload to KRA central registry

Tax Consultant
- Support in filling up PAN application section in CAF
- Record FPI details in internal system for tax processing and necessary compliances

Stock Broker
- Onboard FPI basis KYC documents from KRA registry and additional documents, if any
- Opening of trading account and mapping of PAN/ UCC/ CP codes

Trade ready stage

5.2. Designated Depository Participants

A Designated Depository Participant (DDP) is a SEBI approved intermediary to perform due diligence as per the SEBI (FPI) Regulations, 2019 (FPI Regulations), as amended from time to time and grant certificate of registration to FPIs on behalf of SEBI. DDPs are required to 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 their custodian of securities, prior to initiating investments under the FPI Regulations.

5.3. 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:
    - Single NRI/ OCI/ RI — below 25% of the corpus of the FPI, and
    - Aggregate — below 50% of the corpus of the FPI
    - Resident Indian individual's contribution is permitted, if made through the Liberalised Remittance Scheme (LRS) approved by RBI, in global funds whose Indian exposure is less than 50%
    - NRI/ OCI/ RI are not in control of the applicant

    (The limits mentioned in above two clauses do not apply to the FPIs who invest only in Government securities and registered as GS-FPI or registered as SWAGAT-FI)
    - The aggregate threshold of below 50% does not apply to FPIs regulated by International Financial Services Centres Authority (IFSCA) and based in International Financial Services Centres (IFSCs) in India, subject to additional disclosure requirements
    - RIs (other than individuals) can be constituents of FPI subject to following conditions:
      - Such RI (other than individuals) is an eligible fund manager of the FPI 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
    - RIs (other than individuals) can be constituents of FPI provided they satisfy the following conditions:
      - Applicant is an Alternative Investment Fund (AIF) set up in the IFSC and regulated by the IFSC Authority (IFSCA)
      - RI (other than individual) is a fund management entity or its associate of the FPI applicant
      - Contribution of the RI (other than individual) shall be:
        - Alternative Investment Fund (AIF) — Up to 10% of the corpus of the applicant
        - Retail Scheme — Up to 10% of the Assets under Management of the applicant
  - 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 registered 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
    - FPI is an 'offshore fund' for which a no-objection certificate has been provided by SEBI in terms with the (Mutual Fund) 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

    The above clause does not apply to an FPI applicant incorporated or established in IFSC.
- 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,
  - 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
  - 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

    The above clause does not apply to an FPI applicant incorporated or established in IFSC.
- 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) and 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

5.4. 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 or entities controlled or at least 75% directly or indirectly owned by such Government and Government-related investor	I
2	Pension funds and University funds	
3	Appropriately regulated entities such as insurance or reinsurance entities, banks, asset management companies, investment managers, investment advisors, portfolio managers, brokers and swap dealers	
4	Entities from FATF# member countries or from a jurisdiction as specified by GOI by order or treaty/ agreement with other sovereign Governments which are: – Appropriately regulated funds – Unregulated funds whose investment manager is appropriately regulated and registered as a Category I FPI* – University-related endowments of such universities that have been in existence for more than five years	
5	An entity whose investment manager is from an FATF-member country and such an investment manager is registered as a Category I FPI*	
6	Entities which are at least 75% owned, directly or indirectly, by another entity eligible under (2)-(4) above and such eligible entity* is from an FATF-member country	

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

'From an FATF-member country' means that the entity has its primary place of business in an FATF-member country and, if regulated, is appropriately regulated in an FATF-member country.
* The investment manager/ eligible entities are responsible for all the acts of commission or omission of such unregulated fund/ eligible FPI entity.

Notes to 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 and its registration or license granted by its regulator continues to be valid and has not been cancelled. 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

5.5. FPI Registration Documentation and Fees Requirement

5.5.1. Common Application Form

The FPIs are required to submit the Common Application Form (CAF) along with annexure to CAF, supporting documents and applicable fees to the DDP for registration as FPI. 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)
- Draft CAF can be accessed on the Depository website. (refer section 5.5.1.1)
- Application for allotment of PAN (part of CAF) is forwarded to the Income Tax Authority by the DDP through the depository system after FPI registration certificate is generated
- FPI can use digital signatures (Issued by Indian Digital Signature Certifying Authority for execution of CAF and other registration related documents. The Digital signature can be obtained by using the DSC functionality integrated within the CAF portal

5.5.1.1. FPI Registration Forms and Links

Particulars	Forms	Links
Application to DDP 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)	https://www.fpi.nsdl.co.in/web/HomePage/FrmHomePage.aspx
	Annexure to CAF	
	User Registration for CAF portal	https://fpi.nsdl.com/landing

5.5.2. FPI Registration Supporting Documents

Documentation requirement for registration as FPI:

— KYC documentation (Refer KYC Chapter 7 for details)
— Supporting documents (refer table in 5.5.2.1)
— Declarations and undertaking 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.

5.5.2.1. Additional Registration Documents

Sr. No.	Document	Guidance Comment
1	— Memorandum and Articles of Association or any other equivalent formation document like Certificate of Incorporation (COI) or Fund Prospectus — Proof of applicant being regulated by home regulator	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 — Proof of IM being regulated by home regulator	To be obtained, if the entity seeking license, places reliance on Investment Manager, like: — Unregulated fund from FATF-member countries whose investment manager is regulated and registered as a Category I FPI — An entity whose investment manager is from an FATF member country and such an investment manager is registered as a Category I FPI
3	— Undertaking from Eligible Category I entity — Proof of Eligible Cat I entity being regulated by home regulator	To be obtained from entity seeking FPI Category I license and is at least 75% owned by the following entities from FATF-member countries: — Pension funds and/ or University funds — Regulated entities such as insurance or reinsurance entities, banks, asset management companies, investment managers, investment advisors, portfolio managers, broker dealers and swap dealers — Regulated funds, University-related endowments (university must have existed for more than five years), Unregulated funds with regulated investment manager who is registered as a Category I FPI

5.5.3. Requirement of Permanent Account Number (PAN)

Every entity registered as an FPI in India is required to obtain a tax registration number i.e., PAN. PAN is also a mandatory requirement for opening of cash and depository accounts.

The CAF supports both registration as well as issuance of E-PAN for an FPI. The information and documents submitted at the time of registration are used for the purpose of issuance of PAN. On allotment of E-PAN, an automated email is triggered to registered email address of the FPI applicant. Custodians are required to verify the E-PAN details of the FPI on the Income Tax Department website.

5.5.4. Registration Fee

FPIs must pay registration and PAN application fees to DDP along with CAF and supporting documents. The registration fee structure is summarised below:

Category	Registration Fee	PAN application fees	Validity of Registration
I	USD 2,500* + GST @18% [#] (INR 230,000 + GST @18%)	INR 1011+ GST @18%	3 years
II	USD 250 + GST @18% [#] (INR 23,000+ 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.

[#] Effective January 3, 2027, payment of registration fees will be in INR or equivalent foreign exchange.

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 (Effective January 3, 2027, DDPs must transfer the registration fees to SEBI within 5 working days from the date of grant of certificate of registration).

5.5.5. Registration Validity and Renewal of Registration

The FPI registration is permanent until cancelled or surrendered. FPI needs to have a valid registration if it is holding securities or derivatives positions in India. To keep the registration active, FPIs must pay a continuance fee every three years and submit the renewal request at least 15 days before the due date. If the continuance fee is not paid, the registration lapses after the last fee-paid validity date.

Where the continuance fee is received before the validity date but the DDP's due diligence or KYC review is still pending, the registration may be continued. However, the FPI will not be permitted to make further purchases until the review is completed and the DDP confirms the continuance of registration.

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: — Covering letter for renewal of FPI registration — Fees (based on the category in which it is registered) — Declaration, if there are no changes in any information submitted to SEBI/ DDP earlier — In case of any change in information submitted earlier, FPIs to provide the details of the change and supporting documents as applicable to DDP
Regulatory Approval	To be issued by DDP on behalf of SEBI
Other KYC Document Requirements	Supporting documents for completion of KYC

5.5.5.1. Re-activation of Registration post expiry

FPIs may re-activate their registration within 30 days from the expiry date of registration by paying the applicable registration fee along with a late fee and complying with KYC requirements.

Until registration is re-activated, the FPI may only sell securities held in its account. No fresh purchases will be permitted during this period.

5.5.5.2. Renewal Fee

The renewal fee structure is summarised below:

Category	Entities	Late Fee (if any)*	Validity of Registration
I	USD 2,500* + GST @18% # (INR 2,30,000 + GST @18%)	USD 50 per day + GST @18% # (INR 4,500 + GST @18%)	3 years
II#	USD 250 + GST @18% # (INR 23,000 + GST @18%)	USD 5 per day + GST @18% # (INR 500 + 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.

Effective January 3, 2027, payment of registration fees will be in INR or equivalent foreign exchange.

5.5.5.3. Flexibility for IFSC Entities

Entities regulated by the IFSCA and registered 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:

- All investments must be pooled through a single IFSC investment vehicle registered as an FPI with SEBI. Side vehicles are not permitted
- 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
- Diversification of investments and investors:
  - Investment in the equity shares of a single listed Indian company must not exceed **20% of the FPI corpus**
  - The FPI must maintain a minimum of **20 investors**, with no investor contributing more than **25% of the corpus**

- 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
- The Investment Manager (IM)/ Fund Manager (FM) of the FPI should exercise complete independence in the investment decisions of the FPI. Further, only a SEBI-registered mutual fund Asset Management Company (AMC) sponsored by an RBI-regulated bank, or its IFSC branch/ subsidiary, may act as the IM/ FM
- 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

5.5.5.4. Securities Disposal post expiry of registration

An FPI that has fails to re-activate its registration within the prescribed timeline may dispose of its existing securities only post completion of KYC by the Custodian. The timelines for such disposal of securities is set out in the table below:

Timeline	Activity
Within 180 days from the expiry of the prescribed 30-day re-activation period	— Only sale of existing securities permitted — No purchase of securities allowed — No financial disincentive applicable
Additional 180-day period	— Only sale of existing securities permitted — No purchase of securities allowed — Financial disincentive of 5% of the sale proceeds deducted by the respective custodian from the FPI's sale proceeds and transfer to SEBI's IPEF (Investor Protection and Education Fund)
After expiry of the total 360-day period	— Securities remaining unsold in the FPI account are deemed to have been compulsorily written off by the FPI — FPI loses any beneficial interest in the said securities including voting rights or any benefits arising from corporate action — Such written off securities is transferred to a pool account of an Exchange-empanelled Broker, to dispose of such securities and credit the settlement proceeds to the SEBI IPEF

5.5.5.5. 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

5.6. Other Applicable Norms

5.6.1. Multi-Managed FPI Entities

- Entities engaging multiple investment managers (MIM structure) for managing its investments can obtain multiple registrations. One registration for each such investment manager.
  - FPIs registered under MIM structure shall have the same PAN
  - 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
  - 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
  - Such FPIs can appoint different local Custodians/ DDPs for each registration

5.6.2. Appropriately-Regulated Entities Permitted to Invest on Behalf of Clients

Appropriately-regulated entities listed below can seek FPI registration under Category II to undertake investments on behalf of their clients. The entities can seek separate registration under Category I for proprietary investments. The entities 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 for seeking Category II registration are as below:

- 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)

5.6.3. 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), 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

Upon 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 confirmation letter to the FPI on name change along with a fresh registration certificate.

FPIs undergoing a name change have to apply for PAN card reflecting the new name as soon as possible but not later than seven working days. Upon receipt of the PAN card in the new name, DDP/ Custodian to complete the KYC on KRA and amend the name in the cash and depository accounts.

5.6.4. Home Jurisdiction Compliance — Change in Status

- If a jurisdiction, which was compliant jurisdiction 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 until the expiry of its existing registration
- The DDP shall inform SEBI about the FPIs from such non-compliant jurisdictions

5.6.5. Change in Material Information

- An FPI must notify the DDP of any material change in information previously furnished by the FPI to the DDP and/ or SEBI that has a bearing on the certificate granted

Topic	Type I	Type II
Definition and Impact	Critical material changes that must be informed by FPI along with supporting documents. This category includes changes that — render the FPI ineligible for registration — require FPI to seek fresh registration — render FPI ineligible to make fresh investments — impact any privileges available or granted to the FPI under the extant regulatory framework — impact any exemptions available or granted to the FPI under the extant regulatory framework	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'
Compliance Timelines	— To be informed as soon as possible and within seven working days of the occurrence of the change — Supporting documents to be provided within 30 days of the change	To be informed along with supporting documents (if any) as soon as possible and within 30 days of such change

Topic	Type I	Type II
Categories	— Change of Jurisdiction — 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 an FPI registration as specified under section 5.3 above	Any material change other than those considered as Type I material change
Re-assessment of Eligibility	DDP shall examine all material changes informed by the FPI and re-assess the eligibility of the FPI including requiring FPI to seek fresh registration.	
Delays	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.	

Note: GS-FPI to notify any material change along with supporting documents within 30 days of such change. Intimation delay does not apply to GS-FPI.

5.6.6. 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. If the request for change is submitted by 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 must perform its due diligence at the time of continuance of FPI registration
- FPI to ensure the change of DDP/ Custodian is affected 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

5.6.7. Segregated Portfolio

FPIs structured with sub-funds, separate share classes or equivalent structures may maintain ring-fenced portfolios. Where a segregated portfolio invests in India, the FPI must provide beneficial ownership details separately for each relevant fund, sub-fund, share class or equivalent structure. For any new segregated portfolio, such details must be submitted before investments are made in India.

5.6.7.1 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.

5.7. 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% (Effective January 3, 2027, the fees applicable would be INR 90,000 +18% GST)

5.8. Registration for FPIs investing only in Indian Government Bonds – (GS-FPI)

A dedicated framework for FPIs exclusively investing only in Indian Government Bonds. This brings in a simplified regulatory framework compared to standard FPIs. An FPI can either apply as a GS-FPI at the time of registration or transition from their current standard FPI to GS-FPI. The key attributes for GS-FPI are:
- Exempted from submitting investor group disclosure or monitoring requirements i.e., there is no clubbing of limits of multiple FPIs with common ownership of more than 50% or common control
- No restriction on NRI/ OCI/ RI participation in corpus of an FPI or in control of the FPI
- Periodic KYC review period aligned to RBI specified norms
- Any material changes (both Type I and Type II) along with supporting documents to be notified to DDP with 30 days
- GS-FPI license can be renewed by payment of fees for every block of 3 years
- A GS-FPI transitioning to standard FPI must submit a request letter and incremental information and documents as required for a standard FPI
- A standard FPI can transition to GS-FPI by submitting a request and divesting other assets like equities, debt, derivatives etc from their account

5.9. Framework for 'Single Window Automatic and Generalised Access for Trusted Foreign Investors' (SWAGAT-FI)

A framework for FPIs and FVCIs offering a simplified, unified and low compliance approach for objectively identified low-risk foreign investors. The framework aims to provide easier market access for low-risk foreign investors, reduce repetitive documentation and compliance requirements. An FPI can either apply as a SWAGAT-FI at the time of registration or transition from their current standard FPI to SWAGAT-FI.

The key attributes for SWAGAT-FI are as below:

- Continuance of registration/ renewal fees will be 10 years. For existing FPI converting to SWAGAT-FI, there is no requirement of payment of fees. The fees will be paid at the next renewal date after a block of 10 years from the earlier renewal. Example: An FPI renewed their license in March 2024 and converts to SWAGAT-FI in July 2026, the said entity would be required to pay the license renewal fees on or before March 2034
- The KYC review shall be conducted every 10 years, or such other periodicity as may be specified by RBI (for RBI regulated entities) and/ or respective DDP's internal policy subject to risk categorisation determined by the DDP
- A single demat account for holding all securities acquired as FPI, FVCI
- Exemption from aggregate contribution cap of 50% by NRI, OCI and RI individuals in the corpus of the FPI

Eligible Entities:

- Government or Government related investor categorised as a Category I FPI
- Appropriately regulated mutual funds or unit trust open for subscription to retail investors without any specific investor type requirements like accredited investors and, subject to following conditions:
  - Applicant operates as a blind pool (i.e. common portfolio) with diversified investors and investments
  - Contributors to the applicant do not have control over the day-to-day operations of the applicant and the investment manager is independent from such contributors
- Appropriately regulated insurance company investing its own funds and without segregated portfolios
- Appropriately regulated pension funds
- Public Retail Funds set up in identified jurisdictions and regulated by identified statutory authority/ regulatory body in such jurisdiction. Such PRFs should have diversified investor base and independent fund manager mandated by their home regulator

Fees

SWAGAT FI will pay for 10 years in advance as per below table along with applicable taxes

Amount in USD	Only FPI (A)	Only FVCI (B)	FPI and FVCI (A+B)
Registration Fees (Fresh)	USD 2500+ GST @18% # (INR 2,30,000 + GST @18%)	USD 2500+ GST @18% # (INR 2,30,000 + GST @18%)	USD 5000+ GST @18% # (INR 4,60,000 + GST @18%)
Renewal	USD 2500+ GST @18% # (INR 2,30,000 + GST @18%)	USD 100+ GST @18% # (INR 9,000 + GST @18%)	USD 2600+ GST @18% # (INR 2,39,000 + GST @18%)

*For the same entity there will be one PAN, and fees would apply only once
Effective January 3 2027, payment of registration fees will be in INR or equivalent foreign exchange

5.10. 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

5.11. Additional Disclosure by FPIs

SEBI's additional disclosure framework requires objectively identified FPIs to provide additional details related to persons with ownership, economic interest and control in the FPI. The disclosures are required on a full look-through basis and should cover all entities or persons holding any ownership interest, economic interest or control in the FPI, up to the level of natural persons or up to entities exempted from providing further details.

For this purpose, Offshore Derivative Instrument (ODI) subscribers are also treated as economic interest holders of the FPI and must be considered while determining the additional disclosure requirements.

5.11.1. Criteria for Identification of FPIs required to make additional disclosures

FPIs that fulfil the below mentioned criteria are required to provide additional disclosure on look through basis up to the level of natural persons:

- 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)*

  IFSC based FPIs, with up to 100% aggregate contribution from NRIs, OCIs and Ris, 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.

- 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)

5.11.1.1. Exemptions from additional disclosure

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 5.11.1. 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 5.11.1. 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'.

5.11.2. Criteria for Granular Disclosures by ODI-issuing FPIs

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.

5.11.2.1 Exemptions from Granular Disclosures 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/trust-and-securities-services

5.12. 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

5.13. 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

5.14. India Market Access Portal

SEBI launched a dedicated platform for FPIs, called 'India Market Access' (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), BSE Clearing Limited (BSECL), 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.

5.15. 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.

6 Comparative Table

6.1. 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)	INR 2,30,000 (+ GST @18%)[1]	INR 23,000 (+ GST @18%)	INR 23,000 (+ 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[2]	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

1 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.

2 Only for Category I FPIs through a dedicated ODI registration, subject to enhanced disclosure and structural restrictions

<table>
<tr><th>Sr. No.</th><th colspan="2">Details</th><th>FPI Category I</th><th>FPI Category II (Other than Individuals, Family Offices and Corporate Bodies)</th><th>FPI Category II (Individuals, Family Offices and Corporate Bodies)</th></tr>
<tr><td rowspan="2">7</td><td rowspan="2">Equity Index Derivatives[3]</td><td>Index Futures</td><td>Position limit — higher of:
— INR 5 billion or
— 15% of FutEq OI for that index</td><td>Position limit — higher of:
— INR 5 billion or
— 10% of FutEq OI for that index</td><td>Position limit — higher of:
— INR 5 billion or
— 5% of FutEq OI for that index</td></tr>
<tr><td>Index Options</td><td colspan="3">End of day (EOD) position limits:
— 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)
Entity-wise intraday limits (FutEq basis):
— 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</td></tr>
<tr><td>8</td><td colspan="2">Individual Securities (Single Stock)</td><td>Position limit — 30% of the applicable MWPL</td><td>Position limit — 20% of the applicable MWPL</td><td>Position limit — 10% of the applicable MWPL</td></tr>
<tr><td>9</td><td colspan="2">Interest Rate Futures[4]</td><td>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</td><td>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</td><td>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</td></tr>
<tr><td>10</td><td colspan="2">Commodity Derivatives[5]</td><td>Client-level limits as defined by SEBI from time to time.</td><td>Client-level limits as defined by SEBI from time to time.</td><td>A position limit of 20% of the client-level position limit in a particular commodity derivatives contract.</td></tr>
<tr><td colspan="6">'T-Day' = Trade Date; 'FutEq' = Futures Equivalent; 'OI' = Open Interest;
'MWPL' = Market Wide Position Limit</td></tr>
</table>

3 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

4 A separate limit of INR 50 billion is permitted to FPIs for taking long position in Interest Rate Derivatives

5 FPIs may participate in cash-settled non-agricultural Exchange Traded Commodity Derivatives and related indices

6.2. FPI Eligibility Categorisation

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

Category	FPI Eligibility Categorisation		
	Particulars	SWAGAT-FI	GS-FPI (investment permitted only in Government securities)
Category I	Government and government-related investors.	Eligible	Eligible
	Pension funds and university funds.	Eligible only if appropriately regulated.	Eligible
	Appropriately regulated financial entities, including insurance/ reinsurance entities, banks, asset managers, investment managers/ advisers, portfolio managers, brokers and swap dealers.	Eligible if structured as an: — Appropriately regulated mutual fund/ unit trust, open to retail investors, with a blind-pool/ common portfolio, with diversified investors and investments — No investor control over day-to-day operations — Independent investment manager	Eligible
	FATF-member country entities or entities from countries specified by the Central Government, including regulated funds, unregulated funds with a Category I FPI investment manager and university-related endowments.	Eligible only for appropriately regulated funds meeting: — Blind-pool/ common portfolio, diversification — No day-to-day investor control — Independent investment manager conditions	Eligible
	Entities whose investment manager is from an FATF-member country and registered as a Category I FPI or which is at least 75% owned by another entity, eligible under provisions of FPI regulation and such an eligible entity is from a FATF member country.	Not eligible	Eligible
Category II	— Appropriately regulated funds not eligible as Cat I FPI — Endowments and foundations — Charitable organisations — Corporate bodies — Family offices — Individuals — Appropriately regulated entities investing on behalf of clients — Unregulated funds structured as limited partnerships and trusts	Not eligible	Eligible

7 Know-Your-Client (KYC) Framework

The regulatory framework governing the Know-Your-Client (KYC) requirements for foreign investors in India 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 issued by SEBI
- Master Circular on Know Your Client (KYC) norms for the securities market issued by SEBI
- Reserve Bank of India (Commercial Banks – Know Your Customer) Directions, 2025
- 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

This chapter outlines the standard KYC requirements. The intermediaries may seek additional documentation for enhanced due diligence in accordance with their respective internal policies. KYC information is subject to an ongoing periodic review and updation as required under applicable regulatory guidelines.

7.1. Overview of KYC for Foreign Investors

7.1.1. KYC for FPI and FVCI

FPI and FVCI 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 of registration.

KYC documentation requirements

Document Type	KYC Documentation Details	FPI		FVCI
		Category I	Category II	
Applicant level	Application Form	Required (CAF and Annexure to CAF)	Required (CAF and Annexure to CAF)	Required (Form A and Annexure to Form A)
	Constitutive documents (Memorandum of Association, Certificate of Incorporation, Prospectus, etc.)	Required	Required	Required
	Proof of Address[1]	Required	Required	Required
	PAN	Required	Required	Required
	Board Resolution (BR[2])	Not required	Required	Required
	FATCA/ CRS Form	Required	Required	Required
Senior Management	List of Directors	Required (Part of CAF)	Required (Part of CAF)	Required (Part of Form A)
Authorised Signatories	List and Signatures[2]	Required	Required	Required
Ultimate Beneficial Owner (UBO)	List of UBO including the details of intermediate BO[3]	Required (Part of Application form)	Required (Part of Application form)	Required (Part of Application Form)
	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
- Existing risk-based KYC applicable to FPIs shall also apply to securities account of FDI, FVCI, DR and FCCB accounts of the same entity registered as FPI

1 Power of Attorney (POA) having address provided to Custodian is accepted as address proof.

2 Power of Attorney (POA) having address provided to Custodian is accepted as address proof.

3 UBO is not required for Government and related entities.

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
Company	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%
Partnership Firm	Ownership of/ entitlement to capital or profits of the partnership or who exercises control through other means	10%
Trust	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%
Unincorporated Association of Persons	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 in the 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

Note: Review of KYC for SWAGAT-FI and GS-FPI entities shall be conducted every 10 years, or such other periodicity as may be specified by the RBI (for RBI regulated entities) and/ or the respective DDP/ Custodian's policy, based on the risk categorisation determined by each DDP/ Custodian.

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.

7.1.2. 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
Senior Management (Whole Time Directors/ Partners/ Trustees, etc.)	List (Part of KYC Form)	Required
	Proof of Identity	Required
	Proof of Address	Required
	Photographs	Required

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

7.2. 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).

7.3. 6-KYC Attributes (for all Categories)

The following six KYC attributes are mandatory to open 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

7.4. KYC Registration Agency (KRA)

KRAs are a centralised repository of KYC records in the securities market. Each SEBI regulated intermediary upload the KYC documents of their clients onto the KRA portal to enable other market intermediaries to access the same when they onboard the clients. KRAs are SEBI regulated entities and are governed under the SEBI (KYC Registration Agency) Regulations 2011 as amended from time to time.

7.4.1. Upload of KYC Information

Custodians and other SEBI regulated intermediaries, such as brokers, that have a contractual arrangement with an FPI, FVCI or FDI investor must upload the investor's KYC information to the KRA portal within 3 working days of account opening or receipt of any modification.

7.4.2. Consent Mechanism (Applicable Only for FPIs)

To maintain confidentiality of data and data protection, KRAs have introduced a Consent-Based Mechanism (CBM).

Consent Flag and Notification

Each FPI's KYC record includes a **Consent Flag** indicating whether an intermediary must obtain consent before downloading the KYC information.

- **Without Consent:** The intermediary may download the KYC information without prior consent. The FPI will be notified whenever its KYC information is downloaded
- **With Consent:** The intermediary may download the KYC information only after an authorised person approves the request

Authorisers and Approval Process

FPIs must provide the name and contact details of at least one, and up to three, authorisers. Where the Consent Flag is set to **With Consent**:

- When an intermediary requests access, the KRA sends a consent request to the authorisers' registered email addresses
- Once consent is received, the KRA permits the intermediary to download the KYC details and supporting documents

Updates to KYC Information

When a client's KYC details are modified, the KRA system distributes the updated information to all intermediaries that have previously uploaded, downloaded or modified the KYC information of that FPI.

Closure of Relationship

When the relationship between an FPI and an intermediary ends, either party must notify the KRA so that the intermediary can be delinked from the FPI's KYC record.

7.5. Centralised KYC Records Registry (CKYCRR)

The **Central KYC Records Registry (CKYCRR**) is a centralised repository established by the Government of India under the **Prevention of Money Laundering Act (PMLA)** to maintain KYC records of customers across the financial sector. It is managed by **CERSAI (Central Registry of Securitisation Asset Reconstruction and Security Interest of India).** This enables all regulated entities (across financial sector regulators) to share and reuse customer KYC records through a unique KYC Identifier, thereby reducing duplication and improving compliance efficiency.

KRA and **CKYCRR** as two interconnected KYC repositories serving different purposes:

- **KRA (KYC Registration Agency)** is the securities market KYC database maintained for SEBI-regulated intermediaries
- **CKYCRR (Central KYC Records Registry)** is the central KYC repository for the entire financial sector under PMLA, managed by CERSAI

The CKYCRR framework is presently exempted for FPIs. Foreign entities opening accounts under the FVCI route or other categories governed by FEMA are, however, subject to the applicable CKYCRR requirements.

8 Investment Guidelines and Ownership Limits

8.1. Overview — Investing in India

FPIs are permitted to invest in the following instruments:

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

*Restrictions Apply (Explained in detail in following sections)

8.2. Investment Guidelines — Equity

8.2.1. 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' shares of companies' where such shares were acquired pursuant to an 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

8.2.2. 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% application amount to be blocked through the ASBA[1] 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/ Non-Institutional Category — Category II FPI (Individuals, Corporates and Family Offices)
  - Bids once submitted can be modified during the issue period, however, cannot be withdrawn post the issue closing date
  - Upward revision of bids permitted prior to bid closing date. The incremental application 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

- **Anchor Investor**

  Only QIBs can participate in this category, 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 requirement: 50% of the shares allotted to anchor investor is subject to lock in for 30 days and the remaining 50% is subject to a lock-in of 90 days from the date of allotment

1 **ASBA** — 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.

- **Bids submission process**
  - An applicant may submit only one application form. However, multiple bids may be placed within the same application form, provided such multiple bidding is permitted under Offer document
  - Multiple application forms, identified on basis of PAN, are liable for rejection, except for the categories of investors, having different beneficiary account numbers, i.e., client IDs and DP IDs. The categories of investor who can submit multiple application forms are as below:
    - 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) issued through a dedicated Category I FPI registration, as per revised SEBI ODI framework
      - 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).

II. Preferential Issue/ Private Placement

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

III. 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

IV. 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
- The investor can also choose to participate as a 'Specific investor' whose name has been disclosed by the issuer in the pre-issue advertisement. Such investor can either participate as a renouncee to the Promoter & Promoter Group (P&PG) (who are willful defaulter to fraudulent borrower) or within the under-subscription category
- 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

V. 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. Key features of OFS are as follows:

- OFS is conducted through the stock exchange mechanism on recognised stock exchanges
- Sellers may include promoters/ promoter group entities and other eligible shareholders, subject to the applicable SEBI framework

- All investors other than the promoters or promoter group entities shall be eligible to buy shares under OFS
- The offer details, including floor price, offer size and allocation methodology, within the prescribed timelines. The offer size shall be a minimum of INR 250 million
- Bids may be placed during trading hours, i.e., from 9:15 a.m. to 3:30 p.m. IST, under the following margin options:
  - With 100% upfront margin: Orders may be placed by both institutional investors and non-institutional investors upon payment of 100% margin upfront. Such orders can be modified or cancelled at any time during the trading hours; or
  - Without upfront margin: Orders may be placed without upfront margin only by institutional investors. Such orders cannot be modified or cancelled, except for making upward revision in the price or quantity
- Institutional investors permitted to place their bids on T day whereas non-institutional investor place the bids on T+1 day
- Bidding is carried out through the exchange platform, with allocation based on the applicable proportionate allocation methodology
- Settlement shall take place on T+1 day

8.2.3. 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.

8.2.4. Investment Limits in Equity and Monitoring of Limits

8.2.4.1. 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

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

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

8.2.4.2. 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 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

8.2.4.3. 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

The depositories monitor the 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
- 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 daily end-of-day 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 Divestment** — This is done on a proportionate basis to ensure the foreign shareholding is within permissible limits (refer to an indicative calculation below#):
  - Depending on the limit breached, divestment is uniformly spread across all foreign investors, 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 divest. In the case of FPIs which have been identified for divestment of excess holding, the depositories would issue the necessary instructions to the custodians of these FPIs for divestment of the excess holding
  - The breach is identified at the end of T+1 day, based on custodial confirmation data and the announcement of breach is also made at the end of T+1 day. Accordingly, the foreign investors who purchase these shares during the trading hours on the T+1 day, shall be required to divest such shares within five trading days from the date of settlement of such trades
  - FPIs which have been advised to divest need to do so in the given time frame irrespective of fresh availability of investment headroom during the divestment 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 divest 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) aggregated across all schedules/ routes of the Foreign Exchange Management (Non-debt instruments) Rules, 2019 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)

V. Reclassification from FPI to FDI:

In case FPI chooses to retain the holdings above 10%, 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

8.2.5. 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

8.3. Investment Guidelines – Fixed Income

8.3.1. Investment Routes and Restrictions

FPIs are permitted to invest in Fixed Income (IGBs, 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 from time to time. Key features of these are as below:

- FEMA Debt Rules offers FPIs three investment routes, providing flexibility to invest in the Indian debt market, in a manner that aligns with FPI investment preferences. The investment in fixed income is governed by specified investments limits across the three routes:
  - **General route or Medium-Term Framework:** 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):** Route for investments in specified IGBs, without no limits or restrictions IGBs

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	Voluntary Retention Route (VRR)	Fully Accessible Route (FAR)
Eligible Investors	FPI	FPI	Eligible non-resident investors: — FPIs — NRI — OCIs — Any other person resident outside India, as may be notified by the Reserve Bank from time to time

Subject	General Route	Voluntary Retention Route (VRR)	Fully Accessible Route (FAR)
Aggregate Investment Limit	**Limits:** **Apr 2026–Sep 2026** **G-Sec** (General and Long term) INR 4624.90 billion **SGSs** (General and Long term) INR 1530.43 billion **Corporate Bond** INR 9,361.13 billion **Future Limits:** **Oct 2026–Mar 2027** **G-Sec** (General and Long term) INR 4770.06 billion **SGSs** (General and Long term) INR 1642.42 billion **Corporate Bond** INR 9,913.92 billion Note: The sub-categories of investment limits, viz., 'general' and 'long-term' have been merged into a single limit for investment in Central Government Securities and State Government Securities (SGSs), respectively.	Effective April 01,2026, the extant aggregate limit of INR 2500 billion will be subsumed under the investment limit for FPI investments under the General Route.	No quantitative limit applicable. The specified securities will be fully accessible to eligible foreign investors. List of securities notified on CCIL website: https://www.ccilindia.com/web/ccil/fpi-home-page
Lock-in on Investments	No lock-in provisions on investments. Funds fully repatriable.	No lock-in on securities. However, 75% of the CPS is non-repatriable for a minimum retention period of 3 years or higher retention period as per the limit bid by FPI.	No lock-in provision, fully repatriable.

Subject	General Route	Voluntary Retention Route (VRR)	Fully Accessible Route (FAR)
Investments in Central Government Securities and T-Bills	All Central Government securities and T-Bills are permitted.	All Government securities/ IGBs and T-Bills are permitted.	— All specified securities included under the FAR; all new issuances of 5-year, 7-year, 10-year, 15-year, 30-year and 40-year tenors by the Central Government (including new issuances of Sovereign Green Bonds in these tenors); and any other security that the Reserve Bank may notify in this regard The list of securities can be accessed below: https://www.ccilindia.com/web/ccil/fpi-home-page
Investments in State Government Securities	Permitted[2]	Permitted	Not Permitted
Investments in Corporate Debt	Permitted, with residual maturity greater than one year	Permitted	Not permitted
Investments in Commercial Paper	Not permitted (Refer temporary relaxations mentioned below)	Permitted	Not permitted
Investments in Debt Mutual Fund Units	Yes, with maturity or Macaulay duration of the portfolio less than one year	Not permitted	Not permitted
Repo and Reverse Repo	Not permitted	Permitted to the extent of 10% of the investment limit in VRR	Not permitted

2 Compliance of monitoring and maintaining 30% limit in short term instruments (<less than 1 year residual maturity) on a continuous basis has been done away effective June 05, 2026

Subject	General Route	Voluntary Retention Route (VRR)	Fully Accessible Route (FAR)
Minimum residual Maturity Conditions	**IGBs, SGSs and T-Bills** No restriction pertaining to investment in IGBs, SGSs and T-Bills **Corporate Debt** — FPIs are permitted to invest in corporate bonds with minimum residual maturity of above 1 year **Temporary Relaxation:** — Investment in IGB, T-Bills, SGSs and corporate bonds made between July 8, 2022 and October 31, 2022 will not be subject to restrictions on short term investments till maturity or sale of such investments — FPIs who invested in commercial papers and non-convertible debentures with an original maturity of up to one year, during the period between July 8, 2022 and October 31, 2022 shall be exempted from the limit on short-term investments till maturity or sale of such investments	No restrictions on maturity period	No restriction on maturity period
Concentration Limits	Not applicable. The sub-categories of investment limits, viz., 'general' and 'long-term' have been merged into a single limit for investment in IGBs and SGSs, respectively	Not applicable	Not applicable
Single Investor-wise Group exposure limit for Corporate Bonds	Permitted to invest only up to 50% in a single ISIN (investment prior to April 27, 2018 grandfathered)	No such restriction on exposure. However, if the entity has invested 50% in the ISIN through GIL-MTF, then they cannot invest balance 50% through VRR	Not applicable as the route is for investment in specified IGBs only
End use restriction for investments in Unlisted Corporate bonds/ Debentures	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 investment in specified IGBs only
Investment in debt securities of InvITs and REITs	Yes. Such investments will be subject to the limits, terms and conditions of FPI investments in debt securities under the respective regulations of General route	Yes. Such investments will be subject to the limits, terms and conditions of FPI investments in debt securities under the respective regulations of VRR	Not applicable

Subject	General Route	Voluntary Retention Route (VRR)	Fully Accessible Route (FAR)
Segregated accounts	Existing SNRR cash account and securities account can be used for investments under this route	Segregated SNRR cash account and securities account required for investments under VRR	No separate accounts required. Existing SNRR cash account and securities as used for investments under General route can be used
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	Permitted, through any currency or interest rate derivative instrument, OTC or exchange traded, to manage their interest rate risk or currency risk
Transition between Routes	— Securities (other than FAR-specified) held under this route may be moved to VRR. However, no inward transition of securities to this route is permitted from other routes — INR cash can be freely transferred to VRR cash account and can also be utilised for FAR	— Securities held under General route may be moved to this Route, however, securities held in VRR cannot move to General route — INR cash can be freely transferred to General route and FAR related cash account only if the 75% of the CPS threshold limit is not breached	— No switch out of securities from FAR to other routes permitted — INR cash can be freely transferred to VRR account and can also be utilised for investments under General route

Notes:

- FPIs are not permitted to invest in partly-paid instruments
- Aggregate Limits for the FPIs in each category:
  - **IGBs:** The limit for FPI investment in IGB 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

8.3.1.1. Additional Points to Be Noted on General Route

I. Residual Maturity under general route

G-Sec and T-Bills	Corporate Debt
FPIs are permitted to invest in Central Government Securities (IGB), including in Treasury Bills (T-Bills) and State Government Securities (SGSs) without any minimum residual maturity requirement, IGB	FPIs are permitted to invest in corporate bonds with a residual maturity of above one year.

Notes:
- 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
    - Certificates/ Instruments issued by a Special Purpose Vehicle (SPV) for asset securitisation if banks, Financial Institutions or Non-Banking Financial Companies are the originators
    - Certificates/ Instruments if issued and listed in accordance with SEBI's (Issue and Listing of Securitised Debt Instruments and Security Receipts) Regulations, 2008

II. Limit Monitoring Mechanism of Limits under General route

- IGB, SGSs and T-bills
  The limit utilisation in IGB and SGSs is monitored by CCIL real-time , on the Negotiated Dealing System - Order Matching (NDS-OM). The availability of limits can be accessed at: https://www.ccilindia.com/web/ccil/fpi-home-page
- Corporate bonds/debentures
  - The primary responsibility of complying with monitoring the corporate debt investment limits is with the FPIs
    https://www.fpi.nsdl.co.in/web/Reports/ReportDetail.aspx?RepID=1
  - The limits are also tracked by NSDL and CDSL at an aggregate level and reported on their websites. This is basis the reports submitted by the custodians
    https://www.cdslindia.com/Publications/ForeignPortInvestor.html

IV. Limit Utilisation and Reinvestment Conditions for IGB

- FPIs are permitted to re-invest in additional IGB 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. Any proceeds arising out of sale/ redemption of IGB acquired from coupon receipts shall be eligible for a re-investment within two working days
- All the other existing conditions for investments in IGB under this route remain unchanged for this additional investment
- An auction mechanism would be triggered when the utilised debt limit reaches 95% of the total available limit
- The auction mechanism will be discontinued when the debt limit utilisation falls below 92%. The limits will be available on tap
- The reinvestment facility upon sale/ redemption will be terminated and cannot be availed for the same limits when the utilisation crosses 95% again

V. Conditions for specific Corporate Debt securities

- **Corporate Bonds under default**

  FPIs can 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 bond or 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, 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

  - **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 30 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.

    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 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

Topic	Corporate Debt
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 16th trading day
Utilisation period	Time period for investing in debt securities using the allotted limits will be 10 trading days. Limits not utilised within 10 trading days would come back to the pool of free limits
Re-investment period in case of sale/ redemption	Upon sale or redemption of debt, the FPI will have a re-investment period of two trading days. If 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 16th trading day

8.3.1.2. 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 mentioned below, 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
- FPI availing investment limit for a retention period exceeding the minimum retention period may opt to liquidate its portfolio fully or partly and exit after the end of the said minimum retention period
- **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

8.3.2. Primary Issuances

I. IGBs and SGSs
- IGBs 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 Provider (EBP) Mechanism

Particulars	Mandatory	Optional

Eligible Securities	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:
	— A single issue, inclusive of the greenshoe option of INR 200 million or more
	— A shelf issue of multiple tranches, which cumulatively amounts to INR 200 million or more, in a financial year
	— A subsequent issue, where aggregate of all previous issues by an issuer in a financial year is equal to or exceeds INR 200 million
	— By issuers who are in existence for less than three years, irrespective of issue size
		An issuer, irrespective of issue size, may choose to access EBP for Private Placement of:
		— Debt securities issued by Municipality
		— Commercial Papers
		— Certificate of Deposits
		— Securitised debt instruments
		  — Security receipts
		  — Units of REITs, SM REITs and InvITs
		  — Debt Securities and NCRPS on private placement basis of issue size less than INR 200 million

Platform Providers	— Stock exchanges — Depositories	
Framework	— Issuer to disclose Private Placement Memorandum (PPM)/ Information Memorandum (IM) and term sheet with details of size, bid open and close date/ time, minimum lot, manner of bidding, allotment and settlement, settlement cycle — Disclosure should be at least two working days (three days for first-time issuers) prior to the issue opening date — Participants are required to enrol with EBP before entering bids, by completing the necessary KYC requirements — Bids may be submitted during the bidding period specified by the issuer. — At the conclusion of the bidding period, the EBP platform shall anonymously publish aggregated bidding details for public information, including the yield, bid amount, oversubscription amount, number of bids received, rating(s), investor categories and other pertinent data.	

8.3.3. Secondary Market

	Government Securities	Corporate Debt
Transactions	— OTC — NDS-OM web-based module/ Market Axess	— OTC — Stock Exchanges — RFQ (refer details in section 8.3.3.1.)
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	— OTC transactions: T+1 or T+2 — Web-based transactions: T+1	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

8.3.3.1. 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
- 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

8.4. 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 6.

8.4.1. 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

8.4.2. 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.

Particulars	Features
OTC — Currency Derivatives	RBI permits Foreign Investors to hedge — Up to 100% of their exposure in equity and debt investments — 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

Exchange Traded Derivatives	FPIs are permitted to deal in currency derivatives with INR as one of the currencies — Up to USD 100 million without having to establish existence of underlying exposure — Above USD 100 million or equivalent, underlying exposure to equity and debt should be provided FPIs are permitted to deal in cross-currency pairs involving USD, EUR, GBP and JPY
Common Features	— Foreign investors can hedge their anticipated exposure — Derivative contracts can be rolled over on or before the maturity date of the contract — Derivative contracts can be freely cancelled and rebooked — Tenure of derivative contracts should not exceed the tenure of the underlying exposure

8.4.3. 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

8.5. Hybrid Securities (REITs, InvITs and AIFs)

8.5.1. 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.
Issue of Units		
Conditions for Public Offer	— A REIT shall make an initial offer of its units by way of public issue only — Value of the REIT assets is at least INR 5 billion — The minimum number of unit holders forming part of 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	— An InvIT shall make an initial offer of its units by way of public issue only — Value of all the assets owned by InvITs is not less than INR 5 billion

<table>
<tr><th></th><th>REITs</th><th>InvITs</th></tr>
<tr><td>Offer Size</td><td>— The initial offer size should be at least INR 2.5 billion and
— Units offered to the public through initial offer, should be at least:
— 25% of the total outstanding units of the REIT and units being offered by way of offer document, if the post-issue capital at offer price is less than INR 16 billion
— INR 4 billion, if post-issue capital is more than or equal to INR 16 billion and less than INR 40 billion
— 10% of the total outstanding units of the REIT and units being offered by way of offer document, if the post-issue capital at offer price is more than INR 40 billion</td><td>— The offer size should be at least INR 2.5 billion and
— Units offered to the public through initial offer, should be at least:
— 25% of the total outstanding units of the InvITs, if the post-issue capital at offer price is less than INR 16 billion
— INR 4 billion, if post-issue capital is more than or equal to INR 16 billion and less than INR 40 billion
— 10% of the total outstanding units of the InvIT, if the post-issue capital at offer price is more than INR 40 billion</td></tr>
<tr><td>Maximum Subscription</td><td>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.</td><td>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.</td></tr>
<tr><td>Minimum Investors</td><td>200</td><td>Public Offer: 20
Private Placement: Five</td></tr>
<tr><td>Allotment</td><td colspan="2">— Allotment of units or refund of money should be done within four working days from date of closure of issue
— Units can be issued only in demat form
— Price of units would be determined using book-building or any other process specified by SEBI
— Failure to allot or list the unit, or refund the money, would make the manager liable to interest of 15% per annum till the allotment, listing or refund is completed
— Proportionate allotment in case of over-subscription</td></tr>
<tr><td>Offer for Sale</td><td colspan="2">Existing unit holders of REIT and InvIT are allowed to offer units for sale to the public if such units have been held by them for at least one year (prior to the date of filing the offer document).</td></tr>
<tr><th colspan="3">Listing and Trading</th></tr>
<tr><td>Mandatory Listing</td><td>Listing on recognised stock exchange mandatory after Initial Public Offer (IPO), within six working days from closure of offer.</td><td>Listing on recognised stock exchange is mandatory:
— Privately placed units: within six working days from date of the closure of issue
— Publicly offered units: within six working days of closure of the IPO</td></tr>
<tr><th colspan="3">Preferential Issue and Private Placement</th></tr>
<tr><td>Definition</td><td colspan="2">Institutional Placement has been defined as preferential issue of units by a listed REIT/ InvIT only to Institutional Investors.</td></tr>
</table>

<table>
<tr><th></th><th>REITs</th><th>InvITs</th></tr>
<tr><td>Operational Modalities</td><td colspan="2">A listed REIT/ InvIT may make a preferential issue or institutional placement of units subject to following conditions:
— A resolution of the existing unitholders approving the issue of units is passed as per Regulation 22(6) of REITs Regulations/ Regulation 22(5) of InvIT Regulations
— Units of the same class, as those proposed to be allotted should have been listed on a stock exchange for at least six months before the date of notice convening meeting of unit holders for above resolution
— The REIT/ InvIT has obtained in-principle approval of the stock exchange for listing of units proposed to be issued
— The REIT/ InvIT is in compliance with all the conditions for continuous listing and disclosure obligations under the REIT Regulations/ InvIT Regulations
— None of the promoters or partners or directors of the sponsors or manager or trustee of the REIT/ InvIT is a fugitive economic offender under the Fugitive Economic Offenders Act, 2018
— The REIT/ InvIT cannot make any subsequent institutional placement within two weeks from the date of the prior institutional placement</td></tr>
<tr><th colspan="3">Strategic Investor</th></tr>
<tr><td>Definition</td><td colspan="2">'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:
— An institutional investor
— Foreign Portfolio Investor other than Institutional investor
— Middle layer, upper layer and top layer Non-Banking Finance Company registered with RBI
— Such entities as the Board may specify from time to time</td></tr>
<tr><td>Operational Modalities</td><td colspan="2">A REIT or InvIT may invite subscription from strategic investors subject to below:
— The strategic investors, jointly or severally must invest a minimum of 5% and a maximum of 25% of the total offer size
— Investment manager/ manager of InvIT/ REIT should enter into a binding unit subscription agreement with the strategic investor
— Subscription price per unit by the strategic investors to be included in unit subscription agreement and the amount should be deposited in a special escrow account, prior to opening of the public issue
— The price at which the strategic investor has agreed to buy units should not be less than the issue price determined in the public issue
    — If the price determined in public issue is higher than the price at which allocation is made to strategic investors, the strategic investor is required to bring in additional amount within two working days from determination of the price in public issue
    — If the price determined in public issue is lower than the price at which allocation is made to strategic investor, the strategic investor would get allotment at the price decided in the unit-subscription agreement i.e., the excess amount, over the price determined in public issue, shall not be refunded
— The draft offer document/ offer document should disclose details of the unit subscription agreement
Units subscribed by strategic investors under the unit-subscription agreement will be locked in for a period of 180 days from the date of listing, upon the public issue.</td></tr>
</table>

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

8.5.2. Alternative Investment Funds (AIFs)

Foreign investors are permitted to invest in Alternate Investment Funds. FPIs can invest only in Category III AIF.

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

8.5.3. 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.

8.6. 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.

8.6.1. 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. Regulatory Fees

Each ODI subscriber needs to remit USD 800 + GST @18% (effective January 2027, FPI needs to remit fees in eligible foreign exchange equivalent i.e. INR 75,000 ++ GST @18%) to the FPIs issuing ODIs. The FPIs to deposit the fees with SEBI once every three years beginning April 1, 2017.

III. 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

IV. 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**
  - 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
  - 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

V. 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 an 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

VI. 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 8.6.1(I) and 8.6.1(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

VII. 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.

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

8.6.2. 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 10th of every month for the previous month's transactions
- The ODI issuers are required to capture the details of all the intermediate transfers during the month in the monthly report submitted to SEBI
- Reconfirmation of ODI positions:
  - Reconfirmation of positions by ODI issuers to be done on a semi-annual basis and any divergence from reported monthly data to be informed to SEBI in the format specified
  - Annual certificate on periodic operational evaluation, controls and procedures to be submitted (within one month of end of every calendar year) to SEBI duly signed by the Chief Executive Officer (CEO) or equivalent of the ODI-issuing FPI

9 Clearing and Settlement

9.1. 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

9.2. 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)/ BSE Clearing Limited (BSECL) are responsible for post-trade activities on the stock exchange. Clearing and settlement of trades and risk management are the core central functions of 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 support with the settlement of trades. For institutional investors, the TMs give up the trades to custodian for settlement
- **Clearing Members (CMs)** are responsible for settling the obligations on behalf of the TMs. CMs need to ensure availability of funds and/ or securities in the designated pool 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 empanelled by the CCs
- **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:

India has multiple Stock exchanges (and linked clearing corporations) where the trades are executed by the TMs on behalf of the investors. The CM/ Custodian designates a CC as the primary CC for settlement of trades, regardless of the stock exchange where the trades are executed. This streamlines settlement operations and provides benefits like cross-exchange utilisation of margin, netting of trades etc.

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

- **T+1 Settlement Cycle:**
  Timelines for T+1 settlement cycle are as below:
  Trade Execution time: 09:00 hours to 15:30 hours IST on day T
  Confirmation of the trade by the Custodian: By 07:30 hours IST, on T+1
  Pay-in for securities and cash: By 10.30 hours IST on T+1
  Pay-out of securities and cash: By 13.30 hours IST on T+1

- **T+0 Settlement Cycle**
  Timelines for T+0 segment are as below:
  Trade Timings: 09:00 hours to 13:30 hours IST
  Confirmation of the trade by the Custodian: By 14:45 hours IST
  Settlement of trades in investors account: By 17:30 hours IST

FPIs have the below options for trading and settlement in the T+0 Settlement Cycle:
- **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:** This is applicable only for Institutional investors. 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/ client. The trade will be executed at the Family Code level, the investor in-turn will share the allocation 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, across the underlying individual CP codes, for settlement. The concept of Family Code does not apply for non-institutional investors

Non-institutional investors can trade at individual CP code level in the T+0 segment.

III. Margins in Cash Market

In the Equity Segment, margins are applicable for only Non-Institutional Investors (namely, FPI registered under Category II — Individuals, Corporates and Family Offices registered as Category II FPI). The key margins applicable are:
- Value-at-Risk (VaR) Margin
- Extreme Loss Margin (ELM)
- Mark-To-Market (MTM) Margin
- Peak Margin/ Upfront Margin

Upfront Margin Requirement for Non-Institutional Investors:
Non-institutional investors (Category II FPIs — Individuals, Corporates and Family Offices) are subject to upfront margin requirements on a T+0 basis. Accordingly, such FPIs are required to maintain and provide the requisite margin before undertaking any market position on the Trade Date (T) and the same shall be reported to the Clearing Corporation.

Early Pay-in (EPI):
Early pay-in refers to the delivery of funds and/or securities to the Clearing Corporation (CC) prior to the prescribed settlement schedule, thereby mitigating settlement default risk. Trades in respect of which EPI has been affected shall be exempt from the applicable margin requirements. Non-institutional investors may also avail the EPI facility for the purpose of obtaining such margin exemption.

Margin Reporting Obligations of Clearing Members:
Clearing Members (CMs) shall report to the Clearing Corporations the margins collected from investors, including details of margins remitted to the Clearing Corporation and/ or retained by the member.

Framework for Financial Netting of Equity Trades
The framework provides for netting funds for outright equity trades of the FPIs. This will reduce gross funding requirements, enhance capital efficiency and optimise liquidity management for FPIs. The framework will go live on or before December 31, 2026. The FPIs have the option to choose if their trades are required to be netted or settled gross.

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 transfer of unlisted equity shares is effected through an off-market transaction, between the buyer and seller. Such transfers shall be undertaken in compliance with conditions and requirements prescribed under relevant schedules of the FEMA Non-Debt Rules
  Stamp duty is applicable on off-market transfers and has to be paid upfront by the seller of the shares. The stamp duty can be remitted directly to depository by the seller or through its custodian. Refer to section 11.1.6. for applicable stamp duty rates.
- FPIs are not permitted to invest in unlisted securities

9.3. Debt Securities

9.3.1. Indian Government Bonds (IGBs), Treasury Bills (T-Bills) and State Development Loans (SDLs)

Secondary market deals in IGBs, T-Bills and SDLs are conducted either on Negotiated Dealing System-Order Matching (NDS-OM) platform or through the Over-the-Counter (OTC) market. The OTC trades must be reported through NDS-OM Reporting platform. Clearing Corporation of India Limited (CCIL) acts as the designated CC and Central Counterparty (CCP) to the deals, providing settlement guarantee.

NDS-OM is an electronic, anonymous order-matching platform for secondary market trading in IGBs, T-Bills and SDLs. Direct membership is available to RBI-approved entities maintaining **SGL accounts**, such as banks, primary dealers, insurance companies and mutual funds.

Banks and primary dealers are permitted to maintain **Constituent SGL (CSGL)** accounts for their clients, known as **Gilt Account Holders (GAHs)**. CSGL account holders may undertake bilateral transactions, which are reported on the NDS-OM Reporting platform through the respective CSGL service provider.

I. Holding of India Government Bonds

- **RBI as Depository:** All the RBI regulated entities have to hold and transact in, IGBs,T-Bills and SDLs only in dematerialised or book entry (SGL) form. The Public Debt Office (PDO) of the RBI, Mumbai, acts as the registry and central depository. The holders can maintain their securities in either of two ways:
  - **SGL Account:** RBI offers Subsidiary General Ledger (SGL) account facility to direct members (banks, primary dealers and large financial institutions)
  - **CSGL Account:** Under this arrangement, the bank or primary dealer acts as the custodian for the Gilt Account Holder (GAH) and maintains the securities in a CSGL (SGL-II) account with the RBI. Maturity proceeds and periodic interest payments are credited to the custodian's RBI account and are subsequently passed on to the GAH
- **Demat Account with Indian Depositories:** Investors are permitted to hold G-Secs in demat accounts opened with the depositories (NSDL/ CDSL)

II. Clearing and Settlement

- **Standard Settlement Cycle:** The market follows a T+1 settlement cycle for IGBs, T-Bills and SDLs
- **Exceptions for FPIs:**
- FPIs have the flexibility to settle their OTC transactions either on T+1 or T+2 as mutually agreed between the counterparties
- Transactions executed by FPIs through the NDS-OM web-platform will settle T+1
- All OTC transactions must be reported on Trade date (T) within 3 hours of market close
- All other settlement conditions that apply to T+1 transactions will also apply to T+2 transactions

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

III. NDS-OM Web Module

To facilitate direct market access for investors, Gilt Account Holders (GAHs) may access the **NDS-OM** platform through an internet-based interface, subject to controls imposed by their respective Primary Members (PMs). This enables GAHs to directly buy and sell Government Securities (G-Secs) in the secondary market.

Access is granted upon submission of an application to CCIL by the sponsoring PM.

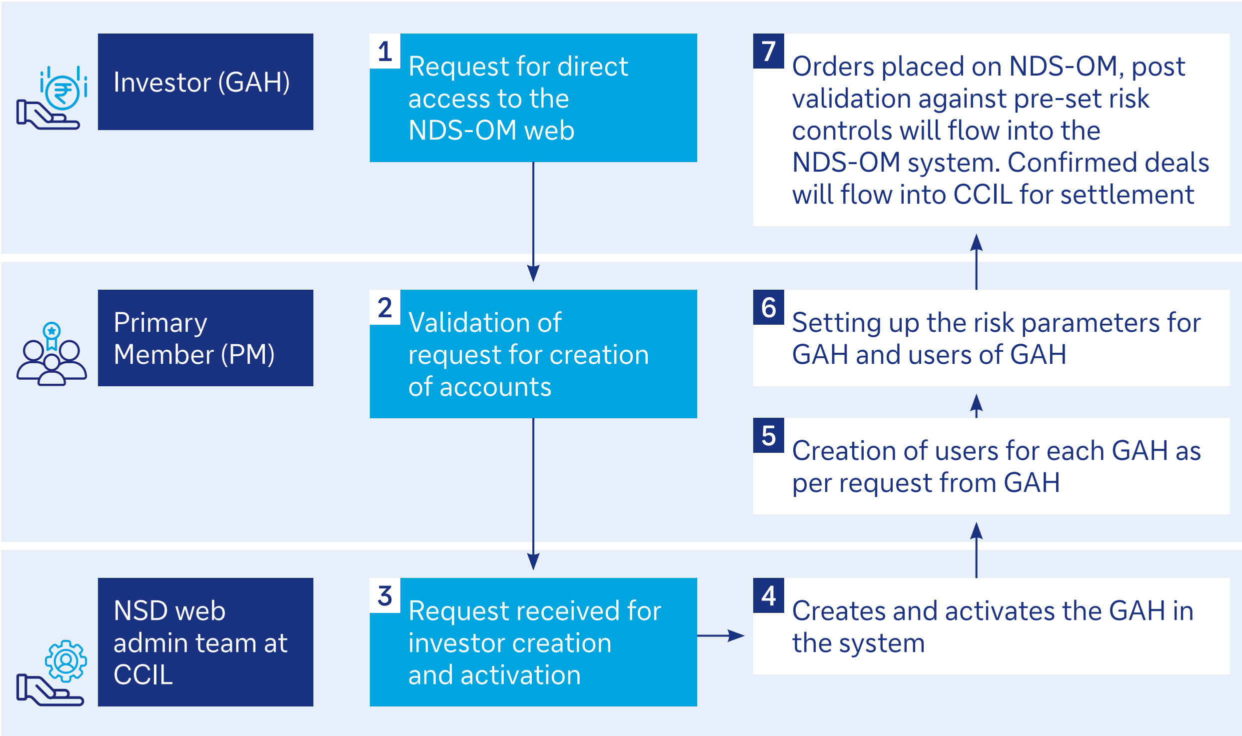
To prevent unauthorised access and ensure non-repudiation, the RBI requires each GAH user to obtain a **Digital Signature Certificate (DSC)** issued by a **MeitY-approved Certifying Authority.** The DSC must be installed on an **e-token**, providing an additional layer of security. Before creating a GAH user on the system, the Primary Member (PM) must ensure that the user has obtained both the DSC and the e-token.

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 have access to real time live quotes in the market

A detailed operation flow is given below:

Steps in Granting NDS-OM Web Access to Investor



IV. NDS-OM International Bond Platform Connect — a facility for RFQ trades in IGBs

The Pre-trade Allocation (PTA) 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. Any trade breaching the limits or no positions will be rejected with the reason displayed appropriately under the Notification Watch (RFQ tab).

V. Margins on IGBs, T-Bills and SDLs

Risk Management Process for IGBs: As part of risk management, CCIL collects Initial Margin and MTM Margin (both intra-day and end of day) from members in respect of their outstanding trades. CCIL also collects Volatility Margin and in some instances Concentration Margin too.

VI. Pre-funding

CCIL introduced 'pre-funding' facility for either securities or funds or both.

- Members or their constituents 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 during input of trade
- Trade of such constituents and members shall not be considered for margin calculation
- 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
- All prefunding notices shall be accepted from Monday to Friday between 08:00 hours to 20:00 hours 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

9.3.2. Corporate Debt/ Bonds

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

9.3.2.1. OTC Corporate Bond Trades

Most of the trades in the corporate debt market are executed bilaterally between the parties. All OTC trades must 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. The OTC 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.

9.3.2.2. Corporate Bond Trades Executed and Settled through Exchange Platform

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 applicable margins and are guaranteed by the CCs. These trades settle on T+1 basis.

9.4. 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.

9.4.1. Equity Derivatives

The CCs of the exchanges act as the clearing and settlement agency for all deals in the Derivatives (Futures and Options) segment and guarantees the 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/ BSECL) is the online position monitoring and margining system. 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.

Daily Mark-to-Market Settlement of futures contracts: 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.

Physical Settlement of Equity Derivatives

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

9.4.2. Interest Rate Futures (IRFs)

CCs are the clearing and settlement agency for all IRF deals executed on the derivatives segment 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.

9.4.3. Currency Derivatives

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

9.5. 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.

9.5.1. 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.

9.5.2. 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.

9.5.3. Core Settlement Guarantee Fund
SEBI and the RBI have prescribed risk management frameworks for Clearing Corporations (CCs), including the Core Settlement Guarantee Fund (CSGF), default waterfall mechanisms and stress testing, to effectively manage clearing member (CM) defaults. The CSGF may be utilised to complete settlements in the event of a CM default, thereby mitigating counterparty risk. Contributions to the CSGF are reviewed periodically based on market conditions and risk exposure, and its utilisation follows a pre-defined default waterfall. For Government Securities cleared through CCIL, members contribute to a Default Fund, which is periodically reviewed and may require additional contributions based on exposure. CCIL's default waterfall framework specifies the order in which available resources are applied to absorb losses arising from a member default.

9.5.4. 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/static/markets/equity/eqreports/sur-surveillance

10 Asset Servicing

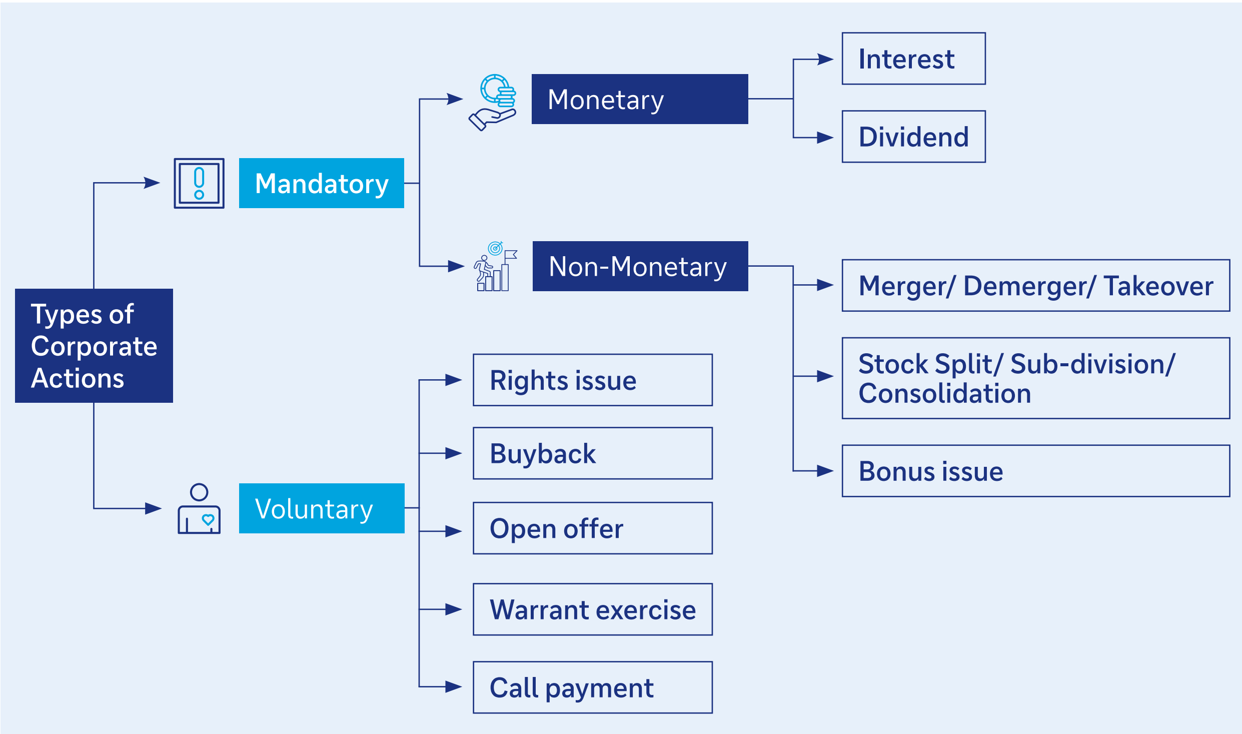
10.1. Overview

A corporate action is any action taken by the issuer of security, resulting in distribution of benefits to shareholders/ bondholders like dividends, bonus, interest etc. 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

10.1.1. Types of Corporate Actions

The most common types of corporate actions are:



10.1.2. Corporate Action Highlights

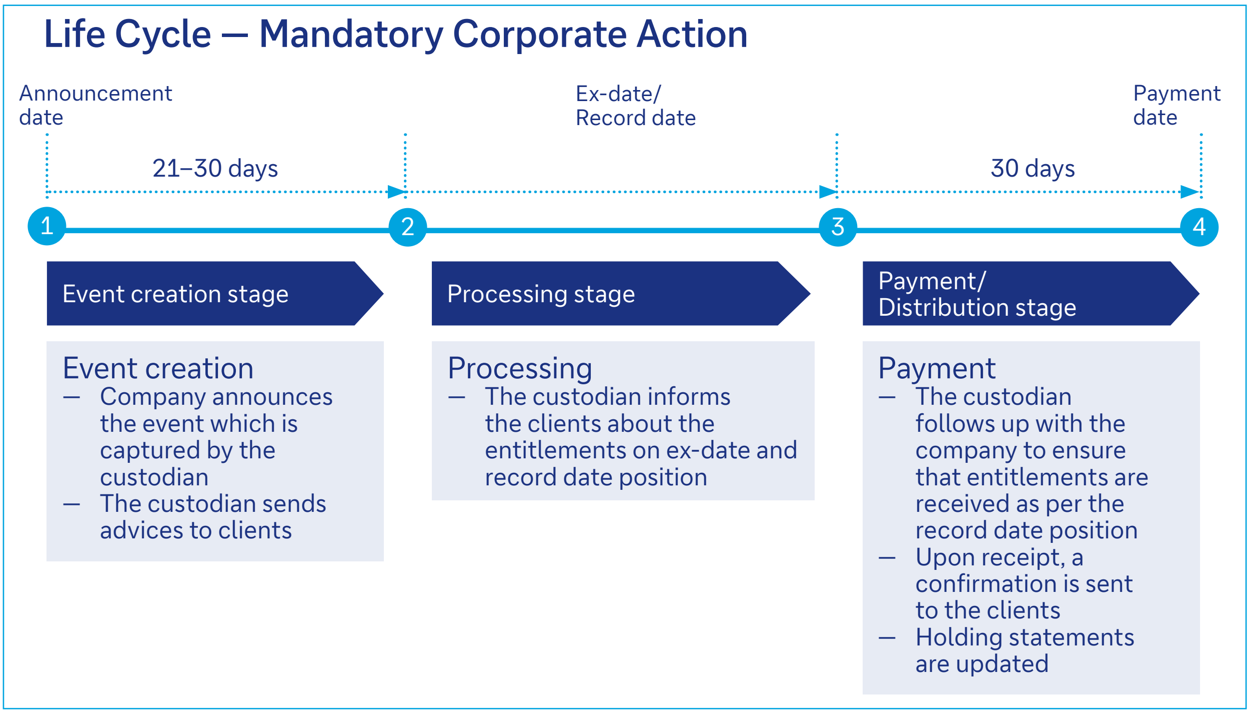
Corporate Action Highlights	
Peak period	April–September
Entitlement date	Record date
Entitlement computation	On the record date
Pay date	Although there is a requirement for declaration of pay date for dividend, it is not mandatory. Companies are yet to adopt the practice of announcing the pay date prior 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 Company to claim corporate action benefits due to the clients.

Important Dates

Announcement date	— Listed companies should give advance notice of at least three working days (excluding the date of intimation and the record date) of the record date to the relevant stock exchanges. In case the corporate actions pertains to schemes of arrangement, then the listed entity shall give notice in advance of atleast seven working days (excluding the date of intimation and the record date) — Shareholders to be given a notice of 21 days before AGM/ EGM
Record date	— Record date is the cut-off date for determining the number of registered members who are eligible for the corporate action benefits — 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, 2024
Ex-date	— 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 — In India, the Ex-date and Record date for listed securities fall on the same day since change of settlement cycle to T+1
Payment date	— Crediting of the benefit is to be made within 30 days from the announcement date or the AGM date
Period of offer	— Period of offer is specified in the offer document for each event

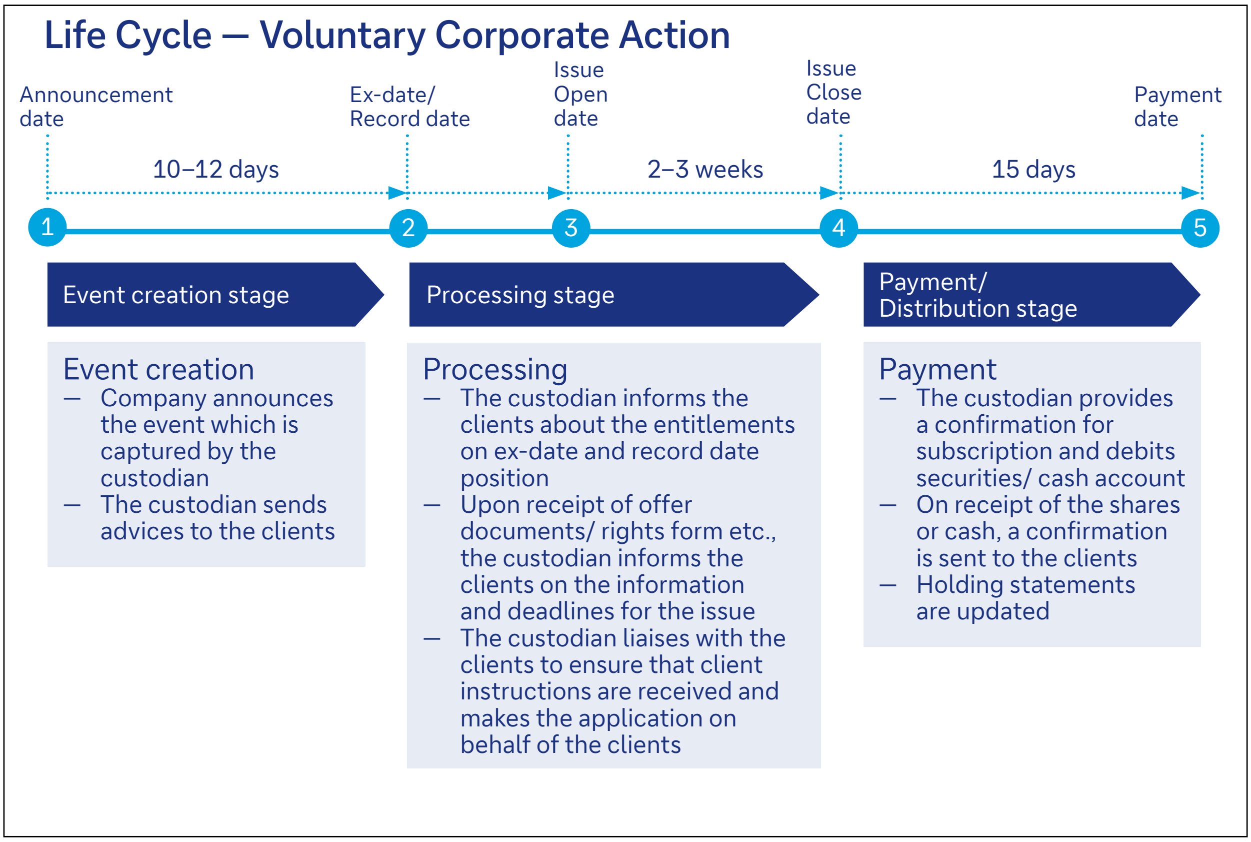
10.2. Life Cycle — Mandatory Corporate Action

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



10.3. Life Cycle — Voluntary Corporate Action Events

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



10.4. Voting

Highlights	
Peak season — AGM	June–September
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, e-voting, proxy voting
Split voting	Permitted only in case of voting by poll
Meeting results	Immediate where voting is conducted by show of hands. Where voting is conducted through poll, postal ballot or e-voting, results are declared based on the scrutiniser's report. For listed entities, the results also need to be submitted to the stock exchanges within two working days of conclusion of the general meeting/ declaration of postal ballot results, as applicable.

10.4.1. E-Voting

E-voting is an electronic mechanism that enables eligible shareholders to vote on company resolutions remotely or electronically during shareholder meetings through secure, regulator-approved platforms, ensuring wider participation, transparency, auditability and efficient corporate governance.

In India, every listed company/ companies having at least 1,000 shareholders are mandatorily required to facilitate e-voting.

Key features of e-voting:

- Shareholders can cast their votes electronically without attending the AGM/ EGM physically. The votes can be cast directly or through their custodian
- Voting can be done on the authorised e-voting platforms during the specific e-voting window as announced by the companies
- There are multiple authorised e-voting platforms such as NSDL, CDSL, platforms provided by few RTA etc.
- The company appoints an independent scrutiniser to verify the voting process, consolidate the votes cast (including physical votes during the meeting) and submit report to the company
- The e-voting facility is open for a minimum period of 3 days prior to the meeting date. The period closes one day prior to the meeting date
- Once the vote is cast, it cannot be changed. Also, if a shareholder has cast their vote through e-voting platform, they cannot vote again on the same resolution during the meeting (if attending in person)

10.4.2. Proxy Voting

- Section 105 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 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
- 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 Tax Aspects

11.1. 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). This can be applied during the FPI registration process by submitting the details 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, 2026 to March 31, 2027

11.1.1. Withholding Tax

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

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 41 and specified declarations (as provided by the Issuer) prior to receipt of the payment.

Tax Rates (inclusive of surcharge and education cess) for the current FY: 2026-2027

Corporate FPIs			
Nature of Income	Net Taxable Income		
	≤ INR 10 Million	> INR 10 Million, ≤ INR 100 Million	> INR 100 Million
Dividends and other income received in respect of securities	20.8%	21.216%	21.84%
Interest income on, corporate bonds/ debentures 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 received in respect of securities	20.8%	22.88%	23.92%	23.92%	23.92%
Interest income on, corporate bonds/ debentures and municipal bonds	20.8%	22.88%	23.92%	26.00%	28.496%

Notes:
1. Interest Income on Government securities is tax 'w.e.f. April 01, 2026'
2. The above rates are subject to the benefits available under relevant Double Tax Avoidance Agreement ('DTAA')

11.1.2. 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.

Tax Rates (inclusive of surcharge and education cess) on Capital Gains for the current FY: 2026-27

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 unlisted bonds/ debentures/ specified debt mutual funds			
STCG	31.2%	31.824%	32.76%
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 unlisted bonds/ debentures/ specified debt mutual funds					
STCG	31.2%	34.32%	35.88%	35.88%	35.88%
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.

Notes:
1. Capital gains from sale of Government securities are tax exempt w.e.f. April 01, 2026
2. The above rates are subject to the benefits available under relevant Double Tax Avoidance Agreement ('DTAA')

11.1.3. 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 tax 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.

11.1.4. 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.

11.1.5. 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 or 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	0.15%	Seller
Sale of an option in securities, where the option is exercised	0.15%	Purchaser
Sale of futures in securities	0.05%	Seller
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

11.1.6. 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% #	Buyer
Repo transaction	CBRICS/ ICDM Platform	0.00001% ##	Borrower (Buyer of the forward leg)
Tri-party repo on corporate bonds	Debt	0.00001% ##	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

Type of Security	Segment	Stamp Duty	Payable by
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

Stamp duty will be levied on consideration amount (including accrued interest)

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', 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 and in case of 'Commercial Paper issuance' by the issuer before execution of CP issuance Stamp duty can be paid either through the custodian or directly, at the discretion of payer

11.2. 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, like 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 41, declarations, etc. specified in the Income Tax Act 2025, to claim DTAA benefits.

DTAA benefits, where applicable, are considered at the time of WHT/ advance tax payments during the year. DTAAs entered into by the Government of India can be accessed using the following link: Double Taxation Avoidance Agreements

A summary of tax rates as per the IT Act vis-à-vis tax treaties may be accessed through Treaty Comparison

11.3. 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: circular7_2017-pdf

11.4. 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. SEC206 of the Income tax act 2026.

11.5. 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.

11.6. 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.

11.7. 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.

11.8. 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 Securities Lending and Borrowing

12.1. 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 all investors are required to mandatorily honour their obligations of delivering the securities on settlement date.

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. For all institutional investors, 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 twelve months. Effective August 2026, shorter-tenure contracts with T+3 expiry settlement cycle have been introduced, wherein the reverse leg settlement is scheduled on T+3 day (excluding settlement holidays)

12.2. 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) ≥ INR 1 billion and average monthly trading turnover ≥ 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

12.3. Position Limits (in Number of Shares)

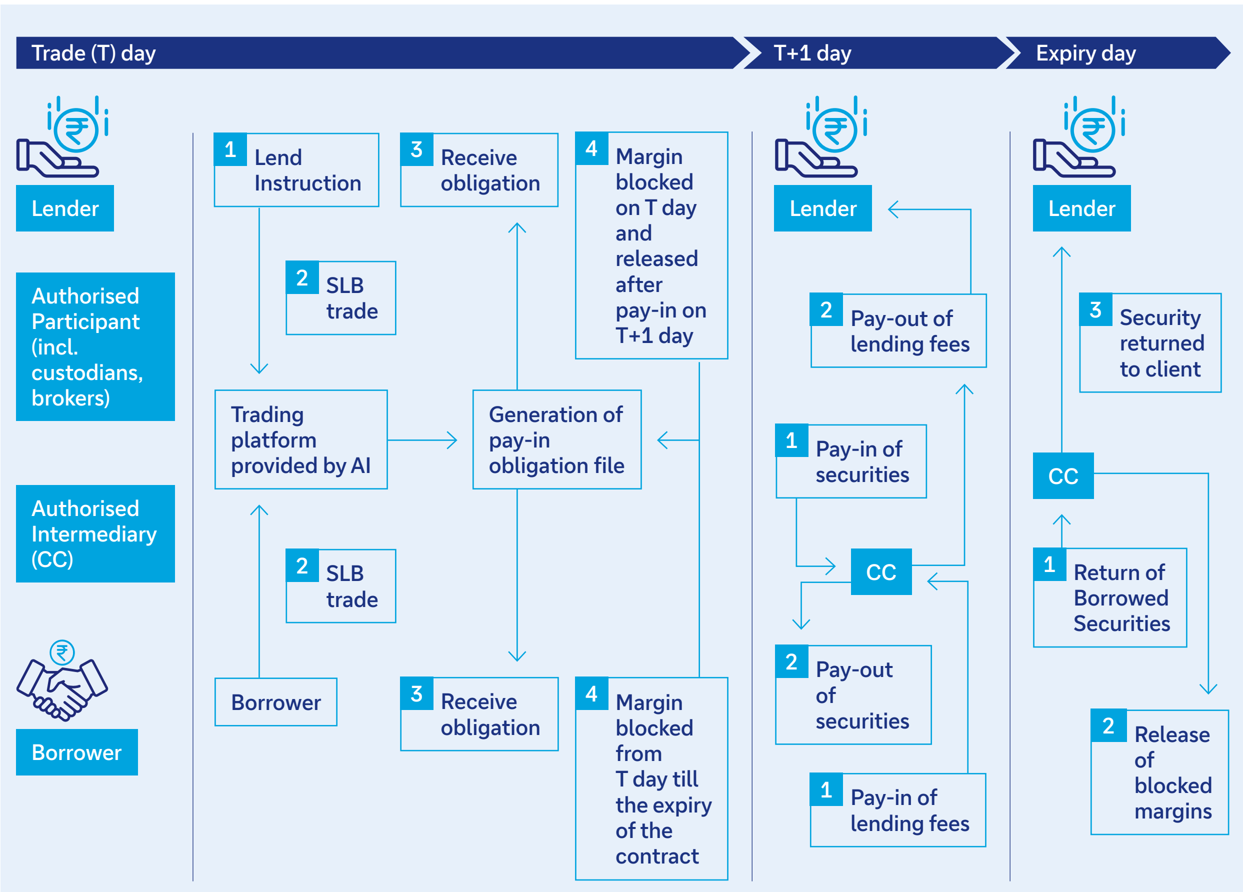
Transactions on the SLB segment are subject to position limits as may be specified by SEBI, the CCs or the exchanges from time to time. These limits are monitored by the CCs and attract penal action in case of any violations.

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.

12.4. SLB Transaction Execution Flow



12.5. 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
Margins					
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: — Value at Risk (VaR) Margin — Extreme Loss Margin (ELM) — Mark-to-Market (MTM) margin — Lending price as may be specified by CC	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#

'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

12.6. 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

For AGMs and EGMs, foreclosure applies depending on the contract type. However, short-term contracts with a T+3 tenure are not subject to foreclosure in the event of AGM/ EGM.

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.

12.7. 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 or any such other action as may be decided by the CC's. Accordingly 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.

13 Gujarat International Finance Tec-City (GIFT)

13.1. Background

GIFT City (Gujarat International Finance Tec-City) is India's premier international financial hub and hosts the country's first and only **International Financial Services Centre (IFSC)**. Established as a multi-services Special Economic Zone (SEZ), the IFSC provides a globally competitive ecosystem for offering financial products and services to non-residents and other eligible participants, while operating from India.

The IFSC has been developed to facilitate the onshoring of international financial services that were traditionally conducted through overseas financial centres. It offers a dedicated regulatory, legal, tax and business framework designed to promote cross-border financial activity and enhance India's integration with global capital markets.

Regulatory Authority:

The IFSC is regulated by the **International Financial Services Centres Authority (IFSCA)**, a unified regulator established under the **IFSCA Act, 2019**. Operational since April 2020 and headquartered at GIFT City, IFSCA is responsible for the regulation and development of financial institutions, financial services and financial products operating within the IFSC.

IFSCA's mandate is to develop GIFT IFSC into a globally competitive financial centre by fostering innovation, supporting international capital flows and creating a world-class regulatory environment aligned with global standards.

13.2. GIFT-IFSC Ecosystem

Regulator

The International Financial Services Centres Authority (IFSCA)

Depository

India International Depository IFSC Limited (IIDI)

Regulations

Some of the key-regulatory framework for facilitating and regulating financial services relating to the securities market in IFSC are as below:

— Special Economic Zones Act, 2005
— International Financial Services Centres Authority Act, 2019
— IFSCA (Banking) Regulations, 2020
— IFSCA (Market Infrastructure Institutions) Regulations, 2021
— IFSCA (Bullion Exchange) Regulations, 2020
— IFSCA (Fund Management) Regulations, 2025
— IFSCA (Capital Market Intermediaries) Regulations, 2025
— IFSCA (Issuance and Listing of Securities) Regulations, 2021
— IFSCA (KYC Registration Agency) Regulations, 2025

Stock-exchanges/ Trading platforms

- NSE (National Stock Exchange) IFSC Limited (NSE IX)
- India International Exchange (IFSC) Limited (India INX)
- India International Bullion Exchange IFSC Limited (IIBX)

Central counterparties

- NSE IFSC Clearing Corporation Limited (NICCL)
- India International Clearing Corporation (IFSC) Limited (India ICC) also the clearing member for IIBX

Settlement currency

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

Market turnover

- NSE IFSC: USD 9,771 million (As on July 24, 2026)
- India INX: USD 14.77 million (As on July 24, 2026)

Market participants

Banks, brokers, custodians, depository participants, fund management entities, AIFs, debenture trustees, insurance companies, bullion intermediaries, etc.

Securities identifier

Securities are identified by the International Securities Identification Number (ISIN) — the standard code for identifying the securities held in a depository account.

13.2.1. 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:

Index derivatives
- SENSEX, India 50
- NIFTY 50, NIFTY IT Index, FIN NIFTY Index, NIFTY Bank Index, NIFTY Bharat Bond Index

Debt
- Foreign currency bonds
- Masala bonds (INR-denominated bonds issued offshore)
- ESG compliant bonds
- Sovereign-Green/ Social/ Sustainable bonds

Depository Receipts

Negotiable financial instrument that represents the underlying securities of a company listed either in India (outside the IFSC or in a foreign jurisdiction, enabling investors to trade in the shares of foreign companies.

Currency derivatives
- **Global currency derivatives**
- **Rupee derivatives**
  - EUR/ USD
  - GBP/ USD
  - JPY/ USD
  - CHF/ USD
  - AUD/ USD
  - INR/ USD
  - USD/ INR

Equity derivatives
- Indian single-stock derivatives

Commodity derivatives
- Precious metals
- Base metals
- Energy

13.3. 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 Gains Tax (LTCG): NIL
- Tax holiday for 20 consecutive years out of the block of 25 years (with respect to business income) for units in IFSC and 20 consecutive years for Offshore Banking Units (OBUs). Business income from these IFSC units after the expiry of period of deduction will be taxed at 15%
- 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-residents on long-term bonds and INR-denominated bonds listed on IFSC exchange: 9% (rates subject to changes)

13.3.1. 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 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

Extension of Tax Incentives

The sunset date for several tax provisions mentioned below, pertaining to IFSC units has been extended to **March 31, 2030**:

- Section 80LA(2)(d) — Deduction for eligible units
- Section 10(4D) — Exemption for specified incomes of investment divisions/ funds in IFSC
- Section 10(4F) — Exemption for royalty/ interest income on aircraft leasing and related activities
- Section 10(4H) — Exemption for specified non-resident income from IFSC transactions
- Section 47(viiad) — Tax neutral relocation of funds to IFSC

13.3.2. 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 shareholders/ unitholders/ interest-holders 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(viiac) and 47(viiad) 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

SEBI has also permitted off-market transfer of securities by FPIs for relocating to IFSC from other jurisdictions, as per guidelines, 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 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.

13.4. Enhanced Flexibility for IFSC-based FPIs

FPIs based in IFSC in India and regulated by International Financial Services Centres Authority (IFSCA) are permitted to accept aggregate contribution up to 100% of their total corpus from Non-Resident Indians (NRIs), Overseas Citizens of India (OCIs) and Resident Indian (RI) individuals. This significant expansion is, however, subject to specific conditions, including:
- Declaration of the intent to have 50% or more aggregate contribution from these investor categories
- Adherence to rules on pooling, pari-passu rights, investment diversification and independent fund management

For FPIs utilising this enhanced access will have a lowered granular disclosure threshold of 33% (from 50%) of their Indian equity AUM in any single Indian corporate group. For detailed conditions kindly refer the FPI chapter.

Navigating India's Evolving Tax Landscape

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Key changes from the Income-tax Act 2025 and their implications for FPIs

India's direct tax landscape has entered into a new era on 1 April 2026, with the Income-tax Act, 2025 coming into force, replacing the six-decade-old Income-tax Act, 1961. While the new legislation does not fundamentally alter India's tax policy, it introduces a more streamlined legislative framework aimed at improving readability, simplifying compliance and making tax law easier to navigate.

Alongside this legislative transition, a series of significant judicial and legislative developments have further shaped the tax framework applicable to foreign investors. The introduction of a tax exemption for Foreign Portfolio Investors (FPIs) investing in Government securities, the restoration of capital gains taxation for share buybacks, the revision of Securities Transaction Tax rates and the Supreme Court's ruling in Tiger Global with subsequent clarification to the General Anti-Avoidance Rules (GAAR), collectively reflect the Government's continued focus on enhancing tax certainty, strengthening India's capital markets and improving the country's attractiveness as an investment destination.

For FPIs, these developments have important implications for investment structuring, treaty entitlement, repatriation strategies, transaction costs and post-tax investment returns. This article examines the key direct tax developments that are likely to influence FPI investments into India.

Transition to the Income-tax Act, 2025

The introduction of the Income-tax Act, 2025 represents one of the most significant legislative reforms to India's direct tax law in over sixty years. The new Act focuses on modernising the tax framework by simplifying the drafting and organisation of tax provisions, removal of redundant language and a more logical arrangement of chapters and definitions. These changes are intended to make legislation easier to read, interpret and administer without altering the substantive tax principles applicable to taxpayers.

Among the notable structural reforms is the introduction of a single 'Tax Year' concept, replacing the long-standing dual framework of the 'previous year' and the 'assessment year', a change that simplifies one of the intricate aspects of India's tax legislation.

Tax exemption for FPIs investing in Government Securities

Perhaps the most significant tax incentive introduced for FPIs this year is the complete tax exemption on income and capital gains arising from investments in Government securities. Effective from 1 April 2026, the Income-tax (Amendment) Ordinance, 2026, exempts both interest income and capital gains arising on the transfer, sale or redemption of Government securities.

The exemption significantly enhances the post-tax returns available to FPIs by eliminating the tax cost associated with investments in Government securities. It also improves the relative attractiveness of Indian sovereign debt vis-à-vis other fixed-income instruments and further strengthens India's position as a competitive destination for global debt investments.

The exemption forms part of the Government's broader strategy to deepen India's sovereign debt market and attract long-term foreign capital. Coupled with other recent reforms, including the expansion of securities eligible under the Fully Accessible Route (FAR), the integration of the Voluntary Retention Route (VRR) investment limits into the General Route, the relaxation of investment restrictions and the inclusion of Indian Government securities in major global bond indices, it removes one of the last significant tax impediments for foreign investors and further strengthens the appeal of Indian sovereign debt.

Rationalisation of buyback taxation

The taxation of share buybacks has been revisited multiple times over the last few years. Until 30 September, 2024, companies undertaking buybacks were liable to pay buyback tax, while shareholders generally received the buyback proceeds exempt from tax. This regime changed substantially in 2024, which shifted the incidence of taxation from the company to the shareholder with effect from 01 October, 2024 by treating the entire buyback consideration as dividend income. Simultaneously, shareholders were permitted to recognise the cost of acquisition separately as a capital loss by deeming the sale consideration to be nil.

While the 2024 amendments sought to address shortcomings of the earlier regime, they also gave rise to practical challenges, particularly for non-resident investors. The dividend-based framework created uncertainty around the availability of treaty benefits, the characterisation of income under tax treaties and the timing of utilisation of the corresponding capital loss. As a result, the tax efficiency of buybacks as a repatriation mechanism was significantly impacted.

Recognising these concerns, the Finance Act, 2026 restored taxation of buyback proceeds under the capital gains regime effective 01 April, 2026. Accordingly, FPIs participating in share buybacks will be taxed under the capital gains provisions on the net gains arising from the transaction, with the applicable tax rate ranging from 12.5% to 30%, depending on the nature of the capital gains.
At the same time, for promoters, the legislation introduces a separate tax framework by levying a 'Special Additional Tax', leading to an effective tax rate of 22% for corporate promoters and 30% for non-corporate promoters.

The revised framework, therefore, restores the capital gains tax treatment of buybacks for non-promoter shareholders, including FPIs, while discouraging their use as a tax-efficient distribution tool for promoters.

Revision in Securities Transaction Tax (STT) rates

The Finance Act, 2026 has revised the rates of STT applicable to derivatives transactions (futures and options) executed on recognised stock exchanges with effect from 01 April, 2026, as under:

Securities	Transaction Type	STT Rate upto 31 March 2026	STT Rate Applicable from 01 April 2026	Levy on
Futures	Sale	0.02%	0.05%	Seller
Options	Sell on Premium	0.10%	0.15%	Seller
Options	On Exercise/ Settlement	0.125%	0.15%	Purchaser

The increase in STT has increased the trading costs for derivatives market participants, particularly impacting high-volume traders such as algo and High Frequency Traders.

The Tiger Global judgment and Rule 10U clarification

One of the most significant tax ruling in this year has been the Supreme Court's decision in the case of *Tiger Global International II Holdings*, having far-reaching ramifications for cross-border investments into India. In examining the taxpayer's claim for treaty benefits under the India–Mauritius tax treaty, the Court clarified that although a Tax Residency Certificate (TRC) is an important document, it is not, by itself, conclusive of treaty entitlement. The availability of treaty benefits must be evaluated based on the overall facts and circumstances, including the commercial substance of the investment structure.

The Court further emphasised that the grandfathering protection available under the 2016 India Mauritius Protocol should not be viewed as an automatic exemption from anti-abuse provisions. The treaty benefits remain contingent on the taxpayer establishing genuine residency and commercial substance, with GAAR continuing to apply where an arrangement is found to be impermissibly tax driven.

Given its potential implications for legacy investment structures and grandfathered investments, the decision prompted considerable discussion within the investment community. Recognising the concerns arising from the judgment, the Central Board of Direct Taxes (CBDT) amended Rule 10U of the erstwhile Income-tax Rules, 1962 as well as the newly notified Income-tax Rules, 2026 to clarify that the GAAR shall not apply to income arising from the transfer of 'investments' made before 01 April 2017 even though the 'arrangement', irrespective of the date on which it had been entered into. This amendment aligns the GAAR framework with grandfathering provisions available under the relevant tax treaties and provides certainty to investors holding investments made before 01 April 2017.

Read together, these developments demonstrate the Government's intent to preserve grandfathering benefits while continuing to emphasise commercial substance. For FPIs, the changes provide greater certainty regarding treaty entitlement and reinforce the importance of maintaining robust documentation supporting the commercial rationale for their investment structures.

Conclusion

The tax developments over the past year reflect a clear and consistent policy direction. While the Income-tax Act, 2025 lays the foundation for a simpler and more accessible tax framework, the accompanying legislative amendments, judicial clarifications and administrative measures demonstrate an equally strong commitment towards enhancing tax certainty, reducing investment frictions and strengthening India's position as an attractive investment destination.

For FPIs, the restoration of certainty in areas such as treaty entitlement and buyback taxation coupled with, sends a strong signal that India is not merely liberalising market access but is building a stable, internationally competitive investment ecosystem. As India's capital markets continue to deepen and integrate with global markets, a stable, transparent and investor-friendly tax regime will remain a key pillar in attracting and sustaining long-term foreign capital.

SWAGAT-FI – Locking in long term certainty

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Introduction

Foreign portfolio capital has been instrumental in shaping India's securities markets and contributing to continued capital formation. Over the years, the Securities and Exchange Board of India (**SEBI**) has taken several steps to make investing easier for foreign investors, including Foreign Portfolio Investors (**FPIs**) under the SEBI (Foreign Portfolio Investors) Regulations, 2019 (**FPI Regulations**). These measures include adopting risk-based Know-Your-Customer (**KYC**) requirements, simplifying documentation requirements and introducing the Common Application Form (**CAF**).

The latest in this series is the introduction of the Single Window Automatic and Generalised Access for Trusted Foreign Investors (**SWAGAT-FI**) framework, which was notified through the SEBI circular on 'Single Window Automatic and Generalised Access for Trusted Foreign Investors (SWAGAT-FI) framework for FPIs and FVCIs' dated January 16, 2026 (**January 16 Circular**) and became effective on June 1, 2026. SEBI estimates that SWAGAT-FIs currently account for more than 70% of total FPI Assets Under Custody as of June 30, 2025.[1] At its core, the SWAGAT-FI framework aims to provide a unified, streamlined and consistent access mechanism for certain categories of foreign investors that have been verified as meeting specified eligibility criteria. The framework is intended to reduce regulatory complexity, simplify compliance and enhance India's attractiveness as an investment destination for SWAGAT-FI investors.

Scope and Eligibility

The SWAGAT-FI framework, operationalised through the SWAGAT-FI Standard Operating Procedure dated May 27, 2026 (SOP), identifies four eligible categories:

- **Government and Government-Related Investors:** Government or Government related investors such as central banks, sovereign wealth funds, international or multilateral organisations, or agencies including entities controlled or at least 75% directly or indirectly owned by such Government and Government related investors. As provided in the SOP, FPIs already registered in such category are only required to provide a declaration stating their intent to become a SWAGAT-FI, without any further documentation
- **Appropriately Regulated Mutual Funds and Unit Trusts:** Appropriately regulated mutual fund or unit trust open for subscription to retail investors without any specific investor type requirements like accredited investors and complying with the following conditions:

1 SEBI Consultation Paper on 'introduction of "Single Window Automatic & Generalised Access for Trusted Foreign Investors (SWAGAT-FI)" framework for FPIs and FVCIs' dated August 8, 2025.

  - The applicant operates as a blind pool (i.e. common portfolio) with diversified investors and investments
  - The contributors to the applicant do not have control over day-to-day operations of the applicant, and the investment manager of the applicant is independent from such contributors
- **Appropriately Regulated Insurance Companies**: Appropriately regulated insurance company that invests its own funds and does not have segregated portfolios. Under the SOP, appropriately regulated insurance/ reinsurance companies that are eligible for registration as a Government related investor but have taken registration in the sub-category of appropriately regulated insurance/ reinsurance companies shall be eligible for SWAGAT-FI status as a Government or Government related investor.
- **Appropriately Regulated Pension Funds:** Pension funds shall include superannuation or similar schemes that provide retirement benefits to employees/ contributors. Pension/ retirement/ provident plans or any such benefit funds of:
  - Commercial establishments and corporate groups;
  - International or multilateral organizations agencies; and
  - Government/ state established plans for state employees or a certain group of population of state or general population; or FPIs which have 100% investor(s) from such government/ state established plans
  - Pension funds governed/ recognised by a statutory authority/ regulatory body/ tax authority for overall supervision and regulation of pensions in the jurisdiction/ state. Even where a pension fund is not subject to direct licensing or regulation in its home jurisdiction, in case it operates under, and is subject to oversight and compliance obligations imposed by, an applicable act/ statute, it may be considered eligible to be a SWAGAT-FI as a pension fund

    Additionally, eligible entities that have taken registration in the sub-category of Pension Fund but are also eligible for registration as SWAGAT-FI as mutual fund or Government related investor may seek SWAGAT-FI status as:
    - Government or Government related investors as provided under Regulation 5(a)(i) of the FPI Regulations, 2019; or
    - Appropriately regulated mutual funds or unit trusts, subject to conditions specified by SEBI, as applicable

Benefits of SWAGAT-FI

The benefits available to eligible investors are set out below:
- **KYC Periodicity:** The registration held by SWAGAT-Fis is valid for a period of 10 years. KYC requirements are reviewed every 10 years or at intervals as may be specified by the Reserve Bank of India (**RBI**) (for RBI-regulated entities) and/ or the respective Designated Depository Participant (**DDP**)/ Custodian's policy, based on the risk categorization determined by each DDP/ Custodian
- **Renewal of SWAGAT-FI:** FPIs wishing to continue their registration for the subsequent 10 year block, should pay the applicable fees to their DDPs and notify them of any changes to information previously submitted. If an entity also holds a Foreign Venture Capital Investor (**FVCI**) registration, the renewal date for that registration will, where applicable, be aligned with the renewal date of its FPI registration
- **Increased participation of NRIs/ OCIs/ RI individuals:** Under the FPI Regulations, 2019, aggregate contributions from non-resident Indians (**NRI**), Overseas Citizens of India (OCI) and Resident Indian individuals (RI) must remain below 50% of the total contribution to the corpus of the FPI. The January 16 Circular provides that this restriction does not apply to SWAGAT-FI FPIs, provided that contributions from RIs are made through the Liberalised Remittance Scheme (**LRS**) notified by RBI and is in global funds whose Indian exposure is less than 50%. Separately, this restriction on participation by NRIs, OCIs and RIs does not apply to FVCIs
- **FVCI Registration:** SWAGAT-FIs applying for, or already registered as, FPIs also have the option to register as FVCIs without providing further documentation

For foreign investors, the SWAGAT-FI framework is expected to encourage larger and more stable inflows from institutional investors, reduce documentation and procedural burdens, improve liquidity in both equity and debt markets, and align with global best practices.

Suggestions for Strengthening the SWAGAT-FI Framework

- **Automatic exemption from granular disclosure obligations:** The SEBI circular on 'Mandating additional disclosures by Foreign Portfolio Investors (FPIs) that fulfil certain objective criteria' dated August 24, 2023 (**August 24 SEBI Circular**) requires additional granular disclosures regarding entities or individuals with any ownership, economic interest or control rights in an FPI that has either concentrated exposure to a single corporate group and/ or significant overall holdings in its Indian equity investment portfolio. The August 24 SEBI Circular currently does not provide an automatic exclusion for SWAGAT-FIs from the additional disclosure regime

  FPIs verified and registered as SWAGAT-FI have already undergone enhanced due diligence and verification by their DDPs at the time of SWAGAT-FI registration. This process substantively addresses the regulatory concerns underlying the additional disclosure framework. Without an explicit exclusion from the August 24 SEBI Circular, however, SWAGAT-FIs that breach the thresholds prescribed under paragraph 7 of the August 24 SEBI Circular would remain technically subject to the granular disclosure obligations, despite their verified status. Although the eligible categories for SWAGAT-FIs substantially overlap with the exemptions to the additional disclosures regime, the two frameworks use different wording. For example, the SOP recognises pension funds "*governed/ recognised by a statutory authority /regulatory body /tax authority*" for overall supervision and regulation of pensions, whereas the Additional Disclosures SOP refers only to pension funds "*governed by a statutory authority/ regulatory body," omitting any reference to a 'tax authority.*' In addition, for the pension funds category, the SWAGAT-FI SOP includes an additional sentence providing that "*Even where a pension fund is not subject to direct licensing or regulation in its home jurisdiction, in case it operates under – and is subject to oversight and compliance obligations imposed by – an applicable Act/ statute, it may be considered eligible for purpose of SWAGAT-FI as a pension fund,*" whereas the Additional Disclosures SOP does not contain an equivalent provision. These differences could be addressed by expressly including an automatic exemption from the August 24 SEBI Circular for entities eligible for SWAGAT-FI.

- **Expansion of Eligible Categories:** SEBI could consider expanding SWAGAT-FI eligibility to additional categories that currently qualify for exemptions from granular disclosures, including university funds and university-related endowments that satisfy the specified conditions. These categories have already been vetted under the granular disclosures framework, so including them in SWAGAT-FI would be a natural extension of the framework's logic

Conclusion

A more predictable, uniform and simplified framework would encourage greater foreign participation while retaining oversight and regulatory safeguards. Such objectively identified and verified low-risk FPIs would have a single point of contact for onboarding and access to multiple routes under the existing Foreign Exchange Management Act, 1999 (**FEMA**) framework. By simplifying investment access for verified low-risk foreign investors, streamlining registration across multiple investment routes and minimizing redundant compliance requirements, SWAGAT-FI marks a meaningful advancement in India's broader effort to foster a more welcoming and efficient regulatory environment for global capital.

ANNEXURE

1 Useful Reference Weblinks

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

ANNEXURE

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ANNEXURE

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Glossary of Abbreviations

Abbreviation	Full form
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
BSECL	BSE Clearing Limited
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
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 form
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
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
F&O	Futures and Options

Abbreviation	Full form
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
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
ICDM	Indian Corporate Debt Market
ICDR	Issue of Capital and Disclosure Requirements
IDFI	Indian Development Finance Institutions
IDR	Indian Depository Receipt
IFSC	International Financial Services Centre

Abbreviation	Full form
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
MTM	Mark to Market
MWPL	Market Wide Position Limit
NAV	Net Asset Value

Abbreviation	Full form
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 form
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
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

Trust and Securities Services, India

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