Deutsche Bank
Investor Services

Edition 2015

Namaste India

The comprehensive guide for professionals investing in India

Passion to Perform

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Dated 07/10/2015

Preface

Indian economy has demonstrated stability and strong growth in a challenging global macroeconomic environment. Investors are increasingly looking at India as an outperformer among not only emerging markets but among the largest world economies.

As India's growth path takes the economy towards becoming the fastest growing major economy, attracting foreign investments with a consistent and evolved regulatory framework is a key objective. The FPI model implemented last year as a universal market entry model foreign portfolio investments has fulfilled this objective. Implementation of uniform Know Your Client rules with a risk-based approach for securities markets has also established a harmonized framework for investors, while enhancing transparency and safety for the capital market participants.

Deutsche Bank team has made commendable efforts in publishing the "Namaste India – the comprehensive guide for professionals investing in India". Congratulations to Deutsche Bank team for bringing out the updated Edition 2015 of this comprehensive reference book for foreign investors.

Manoj Joshi.

(Manoj Joshi)

S. RAMAN
WHOLE TIME MEMBER

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

October 7, 2015

India is widely recognized as one of the most important economies of the World. India, at the present stage of development, needs huge amounts of capital (including foreign capital) to support its growth effort. One of the important objectives of SEBI has been to make the experience of Foreign Portfolio Investors more pleasuresome. The new FPI framework of 2014 has been one big step in that direction.

I wish to thank the Deutsche Bank team for their laudable effort in publishing, in 2014, the first edition of **"Namaste India - the comprehensive guide for professionals investing in India"**, which has indeed served as a reliable reference guide to the FPI framework. On the eve of the release of the second edition, I would like to congratulate the Deutsche Bank team on their efforts to help foreign investors better understand the different aspects in making portfolio investments into India.

My very best wishes to Deutsche Bank in this effort.

S Raman

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Contents

1.	Introduction		01
	1.1.	Background	01
	1.2.	What's new in 2015 Edition	02
	1.3.	Navigation through this guide	02
2.	Securities Market in India - Overview		03
	2.1.	Market: Participants and Components	03
	2.2.	Legal framework	04
	2.3.	Regulatory Structure	06
	2.4.	Capital Market overview	09
	2.5.	Trading guidelines overview	10
	2.6.	Asset classes	10
		2.6.1 Securities Identification	10
		2.6.2 Equities	11
		2.6.3 Fixed income	11
		2.6.4 Derivatives	12
		2.6.5 Indian Depository Receipts (IDR)	12
		2.6.6 Other Instruments	12
	2.7.	Foreign Exchange	13
3.	Investment Routes into India		15
	3.1.	Foreign Investment Avenues	15
	3.2.	Foreign Portfolio Investor (FPI)	15
	3.3.	FDI Overview	18
		3.3.1 General Conditions	18
		3.3.2 Composite caps	19
		3.3.3 Prohibited Sectors for FDI	20
		3.3.4 Permitted Sectors for FDI	20
	3.4.	FVCI Overview	20
		3.4.1 Market entry	20
		3.4.2 Investment restrictions	21
		3.4.3 FVCI as FPI	22
		3.4.4 Access Products	22
4.	Foreign Portfolio Investor (FPI) - Market entry		23
	4.1.	Introduction	23
	4.2.	Eligibility criteria	24
	4.3.	Categorisation	25
	4.4.	Registration process and documentation requirement	26
	4.5.	Role of Designated Depository Participant (DDPs)	26
	4.6.	Registration duration and fees	26
		4.6.1 Conditional Registration	27
		4.6.2 Categorisation by virtue of Investment Manager	27
		4.6.3 Surrender of Registration	27
		4.6.4 Procedure for Sale of Securities after Expiry of Registration (FII / FPI)	27
	4.7.	Other applicable norms	28
		4.7.1 Home jurisdiction compliance - change in status	28
		4.7.2 Change in Material Information	28
		4.7.3 Name Change	28

4.8. Migration from FII / sub-accounts to FPI 28
4.9. Requirement of PAN (Permanent Account Number) 29
4.10. General Obligations and Responsibilities of Foreign Portfolio Investors 30
4.11. Code of Conduct 31
4.12. Account Structure for Foreign Investors investing in India 31

5. Comparative Tables 33
5.1. Comparison with the erstwhile FII model 33
5.2. Effects of Categorisation 34
5.3. Permitted investments for Foreign Investors 36

6. Know-Your-Client (KYC) Framework 37

7. Investment Guidelines 41
7.1. Equity 41
7.1.1 Foreign Ownership Limit 41
7.1.2 Monitoring of investment limits 42
7.2. Debt Investments 42
7.2.1. Investment Limits 43
7.2.2. Debt Limit auctions 44
7.3. Other Permitted Instruments 46
7.4. General Investment Restriction 47
7.5. Derivatives 48
7.5.1 Interest Rate Futures (IRFs) 48
7.5.2 Currency Derivatives 49
7.6. Securities Lending & Borrowing 49
7.7. Reporting requirements 51
7.8. Offshore derivative instruments - ODIs 52

8. Bank Account and Remittance Guidelines 55

9. Currency Hedging 57
9.1. Forward cover 57
9.2. Foreign currency-rupee swaps for IPO flows under ASBA 58
9.3. Participation in the Currency Derivative Segment of the Exchange 58
9.4. Responsibilities of FPIs 60
9.5. Monitoring of positions 60
9.6. Currency trend 61

10. Clearing and Settlement Environment 63
10.1. Introduction 63
10.2. Equities 64
10.3. Fixed income 67
10.4. Derivatives Segment 72
10.5. Securities Lending & Borrowing 72
10.6. Risk Management - Overview 73
10.7. Margins 76
10.7.1 Margins in Cash Market 76
10.7.2 Margins in SLB Segment 77
10.7.3 Margins in Exchange Debt Segment 77
10.7.4 Margins in G-Sec Market 78
10.7.5 Margins in Derivative Segment 78
10.8. Platform 80
10.8.1 Primary Market 80
10.8.2 Secondary Market 81
10.8.3 Government Securities 81

11. Tax aspects 83
11.1. Withholding Tax (WHT) 83
11.1.1 Taxation of interest 83
11.1.2 Taxation of dividend 83
11.2. Capital Gains Tax 83
11.3. Securities Transaction Tax (STT) 84
11.4. Tax Rates 85
11.5. Tax Administration 86
11.6. Advance Tax 86
11.7. Taxation Flow 87
11.8. Double Taxation Avoidance 87
11.9. Minimum Alternate Tax (MAT) 87
11.10. General Anti Avoidance Rule (GAAR) 88

12. Reporting Requirements 89

13. Annexures
Annexure 1: Application Format for FPI Registration 91
Annexure 2: Documentation Requirements for FPI Registration 99
Annexure 3: List of useful reference links 116
Annexure 4: Key Contacts 117
Annexure 5: List of abbreviations used in the book 119

Foreword

The first Edition of 'Namaste India: The comprehensive guide for professionals investing in India' published in 2014 was a tremendous success as India-focused investment professionals found it extremely useful.

As we celebrate our 21st anniversary as a custodian in India, it is a great honour to present the second edition of 'Namaste India'. This edition focuses on all the latest procedural aspects required for Foreign Investors to commence their portfolio investments into India, concentrating on the FPI option.

India continues to be an attractive market for foreign investors as evidenced by the huge inflows into the country relative to most other Emerging Market economies and more new-to-India investors wanting to be a part of the India growth story. The introduction of the FPI regime could not have come at a better time, as investor interest in India continues to rise.

We do hope that this edition will be useful to investors wanting to make an informed decision on investing in India.

We would like to thank our clients, partners and other intermediaries who have provided us with valuable feedback and assistance contributing to the contents and printing of this book.

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Chapter 1 Introduction

India is expected to become the fastest growing major economy over the next two years. Heightened interest from global investment community has resulted in significant increase in capital inflows into India's equity and debt markets over the past year. Capital inflows from foreign investors are expected to continue to grow in the medium term.

Opportunities in India as a marketplace are boundless. The country is poised for massive infrastructure spending of one trillion dollars over the next 10 years. Combine this with India's long-term advantages such as an expanding working age population, low debt-to-GDP levels, an edge in key industries such as IT and potential for financial sector growth and the investment case starts to look very compelling. This adds up to a virtuous cycle of increasing business confidence (India's companies could start investing at home rather than buying assets abroad), accelerating economic growth, fiscal consolidation, receding inflation, a stable currency and foreign investment.

The macroeconomic stress that prevailed earlier has now dissipated. The runaway Current Account deficit has been tamed and reducing further as international oil prices drift lower. Inflation has eased, helped by lower food and fuel prices; core CPI inflation has also moderated. The rupee has been the most stable emerging market currency and Indian financial markets have remained relatively less volatile compared to other large economies.

Economic policy stance in India continues to focus on inward capital flows and the regulatory framework therefore is expected to emphasise attracting foreign investments as a key objective.

1.1. Background

The Foreign Portfolio Investors (FPI) Regulation 2014 was notified by Securities and Exchange Board of India (SEBI) in January 2014, which became operational from June 1, 2014. The FPI market access model for foreign investors, which evolved from the earlier FII / sub-account / QFI model to the harmonised FPI regime, is now well-established over the last 15 months and is undergoing a review for further fine tuning.

Introduction of the FPI model also included the Designated Depository Participant (DDP) role entrusted by SEBI to Custodians in India thereby improving efficiency in the market entry process; accompanied by implementation of a risk-based KYC.

The objective of this document is to provide a comprehensive guide on the FPI model for investors, investment professionals, intermediaries and market participants. Overview of all investment routes including FDI and FVCI has been included, alongwith a summary look at the securities market structure in India.

1.2. What’s new in 2015 Edition

This edition covers all the regulatory and procedural changes notified till August 31, 2015, as well as additional material on some key aspects relevant to Foreign Portfolio Investors.

Below is the summary of some key revisions in this Edition

- Market entry flow chart
- Revisions in rules governing FPI investments in Government securities
- Updates on list of investment permissions – notable changes in debt investments
- Account Structure summary for FPIs investing in India
- Summary view table highlighting effects of Categorization
- Additional material on derivatives market, including Index and Stock Futures, Currency Derivatives and Interest Rate Futures
- Key modifications to the risk management framework of securities clearing houses
- Code of Conduct and General Obligations and Responsibilities of Foreign Portfolio Investors
- Comparative tables covering subjects such as investment permissions and reporting requirements across the FPI, FDI and FVCI routes

1.3. Navigation through this guide

- The document provides a context to the FPI model by sharing a summary information section on the Indian securities market and the various prevalent investment routes into India, as Chapters 2 and 3
- Comprehensive information on the process of market entry is available in Chapter 4, including process for transition from extant FII / sub-account to the new FPI status
- Comparative tables on key aspects such as earlier FII model comparison, impact of Categorisation and investment permissions across the three foreign investment routes, are included as Chapter 5
- A detailed note on the risk-based Know-Your-Client (KYC) framework, applicable to FPIs is included in Chapter 6
- Investment guidelines applicable to the FPI route are described in detail in Chapter 7. This section includes information on debt, equity and other permitted instruments, limits etc.
- Guidelines related to remittance and bank account operation in India are covered in Chapter 8
- Chapter 9 delineates currency hedging guidelines, important for foreign investors
- Overview of the clearing and settlement environment in the Indian securities market is detailed in Chapter 10. FPIs experience the same highly developed and stable clearing and settlement structure, as domestic participants in the market. This section provides summary information, designed to convey key aspects
- An indicative discussion on the applicable tax structure is provided in Chapter 11. The information included is of indicative nature only, as actual tax applicability will differ on case to case basis depending on various factors
- Reporting requirements across the three foreign investment routes FPI, FDI and FVCI are covered in Chapter 12

Chapter 2 Securities Market in India - Overview

The securities markets in India have witnessed reform initiatives from FY 2000-01 onwards, which have refined the market micro-structure, modernised operations and broadened investment choices for the investors; while improving efficiency, reliability and making the markets safer for all stakeholders.

2.1. Market: Participants and Components

The securities market has essentially three categories of participants, namely the issuers of securities, investors in securities and the intermediaries (brokers, merchant bankers, custodians etc). The issuers and investors are the consumers of services rendered by the intermediaries. They also facilitate bringing together the issuers and investors in a market place.

Securities are broadly categorised into:

- Shares / scrips / stocks, bonds, debentures, convertible instruments or other marketable securities of a like nature in or of any incorporated company or body corporate
- Government securities
- Rights or interest in securities

The securities market has two interdependent segments, the primary market (new issuances) and secondary market (trading in securities)

- Primary market: initial issuance of securities to raise capital resources. Corporate entities issue debt and / or equity instruments (shares, debentures, etc.), while the governments (central and state governments) issue debt securities (dated securities, treasury bills). Primary market features 'public issues' which can be accessed by all categories of investors, and 'private placements', where the issuance is done to select people / entities
- Secondary market: here securities are traded after being initially offered to the public in the primary market and / or listed on the Stock Exchange. Majority of the trading is done in the secondary market (both equity & debt). The secondary market has further two components,
  - Over-the-counter (OTC) market: informal markets where securities are negotiated and settled for immediate delivery and payment
  - Exchange-traded market: here trades are executed on Stock Exchanges and cleared & settled by a clearing corporation which provides novation and settlement guarantee

Equities market in India is predominantly exchange-driven, while in the Debt segment both OTC and exchange-traded models are present.

The forward or futures market is an important part of secondary market, where assets are traded for future delivery and payment. The versions of forward in formal market are futures and options. In futures market, standardised securities are traded for future delivery and settlement while in case of options, securities are traded for conditional future delivery. There are two types of options - a put option permits the owner to sell a security to the writer of options at a predetermined price while a call option permits the owner to purchase a security from the writer of the option at a predetermined price.

Indian securities market includes a vibrant futures market with a variety of derivative products based on single stocks and indexes available to investors.

Derivatives market
Derivative trading in India is legal and valid only if such contracts are traded on a recognised stock exchange, thus precluding Over-The-Counter (OTC) derivatives.

Derivatives are formally defined as
- a security derived from a debt instrument, share, loan whether secured or unsecured, risk instrument or contract for differences or any other form of security
- a contract which derives its value from the prices, or index of prices, or underlying securities

2.2. Legal Framework

Important legislations governing the securities market in India
- Companies Act, 1956 (amended 2014): provides the framework as well as regulates incorporation of a company, responsibilities of a company, directors, dissolution of a company. It also provides a code of conduct for the corporate sector in relation to issue, allotment and transfer of securities, and disclosures to be made in public issues. The Act also regulates underwriting, the use of premium and discounts on issues, rights and bonus issues, payment of interest and dividends, supply of annual report and other information
- SEBI Act, 1992: established the Securities and Exchange Board of India (SEBI) to protect investors and develop and regulate securities market. Regulatory jurisdiction extends over corporate in the issuance of capital and transfer of securities, in addition to all intermediaries and persons associated with securities market. SEBI has powers to conduct enquiries, audits and inspection of all concerned and adjudicate offences under the Act to penalise them in case of violations of the provisions of the Act, Rules and Regulations made there under
- Securities Contracts (Regulation) Act, 1956 (SCRA): it provides for regulation of transactions in securities through control over stock exchanges. It gives Central Government regulatory jurisdiction over -
    - stock exchanges through a process of recognition and continued supervision
    - contracts in securities, and
    - listing of securities on stock exchanges
- Depositories Act, 1996: it provides for the establishment of depositories in securities market with the objective of ensuring free transferability of securities with speed, accuracy and security. It ensures electronic maintenance and transfer of ownership of dematerialised (Demat) securities
    - It provides for all securities held in depository to be dematerialised and in a fungible form
    - It enables the depository to be the registered owner of the securities in the books of the issuer
    - Depository shall maintain a register and index of beneficial owners
    - Depository as the registered owner shall not have any voting rights or any other rights in respect of securities held by it
    - Beneficial owner shall be entitled to all rights and liabilities in respect of his securities held by a depository
- Exchange Control Manual (ECM) of RBI and the FEMA, 1999: the ECM of RBI stipulated the regulations that governed for foreign exchange transactions in India till May 2000. In May 2000, the regulations under FEMA 1999 came into force and all notifications regarding foreign exchange transactions since then are prescribed under FEMA

- Prevention of Money Laundering Act, 2002: the PMLA provides the basic statutory framework for identification of customers, transaction records, anti-money laundering measures, monitoring and reporting requirements etc. PMLA defines the broad structure under which KYC and related regulations from SEBI and RBI which are applicable in the securities market are framed
- Rules, regulations and bye-laws of the stock exchanges
- Key statutes applicable for foreign investors
  - Foreign Exchange Management Act (FEMA), 1999
  - Exchange Control Manual of RBI
  - SEBI Foreign Portfolio Investors Regulations, 2014
  - SEBI Regulations applicable to key market intermediaries such as Custodians, Stock-brokers and regulations governing investor classes - Mutual Funds / collective investment schemes, Alternative Investment Funds, Portfolio Manager etc.

Supervisory Framework

Entities					Level
Government of India Ministry of Finance, Department of Economic Affairs (DEA)					Policy Direction
Reserve Bank of India (RBI)	Securities and Exchange Board of India (SEBI)	Insurance and Regulatory Development Authority (IRDA)			Regulatory Supervision
Banks	Depositories	Clearing Corporations	Stock Exchange		Market Infrastructure
Clearing Bank	Clearing Members	Custodian	Depository Participants	Brokers	Market Intermediaries
Investors					— Over 8400 foreign portfolio investors (FPIs / FIIs / sub - accounts) — 42 active Mutual funds — 52 Life and General insurance companies — Large retail, HNI and corporate investor base

SEBI has framed regulations under the SEBI Act and the Depositories Act for registration and regulation of all market intermediaries, and for prevention of unfair trade practices, insider trading, etc. Under these Acts, Government and SEBI issue notifications, guidelines, and circulars which need to be complied with by market participants. The responsibility for regulating the securities market is shared by:

- Department of Economic Affairs (DEA)
- Department of Company Affairs (DCA)
- Reserve Bank of India (RBI)
- SEBI

The securities laws, statutes and policies are framed by the Government of India and the governing regulations by SEBI. The powers of the DEA under the SCRA are also concurrently exercised by SEBI. The orders of SEBI under the securities laws are appealable before a Securities Appellate Tribunal (SAT) and the courts.

The powers under the Companies Act relating to issue and transfer of securities and non-payment of dividend are administered by SEBI in case of listed public companies and public companies proposing to get their securities listed.

The powers in respect of the contracts for sale and purchase of government securities, gold related securities, money market securities and securities derived from these securities and ready forward contracts in debt securities are exercised concurrently by RBI.

2.3. Regulatory Structure

Market Regulators

The various regulatory bodies in the country are:

Ministry of Finance, Government of India (GoI): The Ministry of Finance & Company Affairs is the apex ministry responsible for the administration of the GoI finances. Its primary responsibilities include:

— Managing all the economical and financial matters affecting the country including mobilisation of resources for developmental activities
— It regulates the expenditure of the Central Government including the transfer of resources of the various States

The Ministry comprises the following departments:

— Department of Economic Affairs
— Department of Expenditure
— Department of Revenue
— Department of Financial Services
— Department of Disinvestment

The Department of Economic Affairs (DEA) is the nodal agency of the GoI which formulates and monitors the country's economic policies and programmes at a macro level like policies relating to the functioning of Indian banking, insurance and capital markets.

The Capital Markets Division within the DEA takes primary responsibility of all policy issues related to the growth and development of the securities markets and the orderly functioning of SEBI.

Ministry of Finance and Company Affairs

Department of Economic Affairs
North Block, New Delhi

Website: http://www.finmin.nic.in

Securities and Exchange Board of India (SEBI): The Securities and Exchange Board of India (SEBI) is the regulatory and registering authority for the various intermediaries and institutional investors connected with the securities market (e.g. brokers, mutual funds, FIIs / FPIs, custodians, merchant bankers). The Securities and Exchange Board of India Act, 1992 came into force on January 30, 1992 by an Act of Parliament and empowers SEBI to issue various regulations that govern market intermediaries and investors. Among others, SEBI has issued the 'SEBI Foreign Institutional Investors Regulations, 1995' now replaced by 'SEBI (Foreign Portfolio Investors) Regulations, 2014', SEBI Custodian Regulations, 1996 and the SEBI Foreign Venture Capital Investor Regulations 2000, which stipulate regulations for foreign portfolio investment, custodial services and foreign venture capital investment, respectively, in India.

Securities and Exchange Board of India (SEBI)
SEBI Bhavan, Plot Number C4-A, G Block,
Bandra Kurla Complex, Bandra (E)
Mumbai - 400 051
+ 91 22 26449000

Website: http://www.sebi.gov.in

Reserve Bank of India (RBI): The RBI is the Central Bank of India performing various functions

— Formulation, implementation and monitoring of the monetary policy with the objectives of maintaining price stability and ensuring adequate flow of credit to productive sectors
— Prescribe parameters for banking operations within which the country's banking and financial system functions
— Regulate the foreign investment inflows and outflows being the custodian of the foreign exchange reserves
— Granting approvals to FIIs / FPIs to open and operate cash and foreign exchange accounts.
— Oversees the debt markets through primary dealers and provides liquidity support to market participants

Reserve Bank of India (RBI)
Foreign Exchange Department
Central Office Building, 11th Floor
Mumbai - 400 023
+ 91 22 2260 1000

Website: http://www.rbi.org.in

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

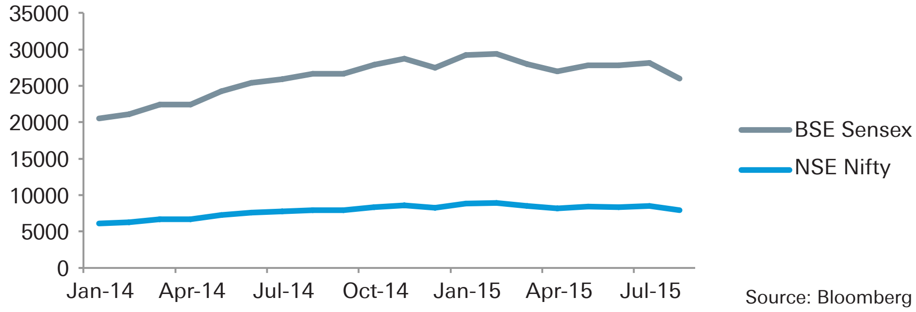
The National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE) are the two main stock exchanges through which trades are executed. The securities that are listed and traded on these exchanges are mentioned below. All the below mentioned instruments tradable in the Indian stock market are eligible for dematerialisation.

Fixed Income	Government Securities (G-Secs), Corporate Bonds, Debentures, Public Sector Undertaking (PSU) Bonds, STRIPS in G-Secs
Equities	Equity Shares, Preference Shares, Warrants, ADR / GDR converted shares
Money Markets*	Liquid and short term instruments like Treasury Bills, Cash Management Bills, Certificate of Deposits and Commercial Papers, liquid and money market mutual funds
Derivatives	Index Futures, Index Options, Options on individual stocks, Stock futures, Interest Rate Derivatives, Currency Derivatives
Others	Mutual Fund Units, Exchange Traded Funds (ETFs), Tier 1 and Upper Tier II capital hybrid instruments issued by banks, Foreign Currency Exchangeable Bonds (FCEBs) and Indian Depository Receipts (IDRs)

*FII / FPIs are not permitted to invest in Treasury Bills, Certificates of Deposits and Commercial Papers and other short term instruments having residual maturity of less than three years. Liquid and money market mutual fund are also not available to FPIs as an investment option

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

2.4. Capital Market overview

Regulators	— Reserve Bank of India (RBI) — Securities and Exchange Board of India (SEBI)
Stock Exchanges & CCPs	— National Stock Exchange (NSE) & National Securities Clearing Corp.Ltd. (NSCCL) — Bombay Stock Exchange (BSE) & Indian Clearing Corp.Ltd. (ICCL) — Metropolitan Stock Exchange of India (MSEI) & MCX-SX Clearing Corp.Ltd.
G-Sec Market	— Negotiated Dealing System- Order Matching (NDS-OM) for trading, reporting — Clearing Corporation of India Ltd. (CCIL) for clearing & settlement
Depositories	— National Securities Depository Limited (NSDL) — Central Depository Services (India) Limited (CDSL) — Reserve Bank of India
Market Participants	Brokers, Custodians, Foreign Portfolio Investors, Domestic Asset Management Companies, Insurance Companies, Banks, Financial Institutions, Local corporations & Retail Investors
Market Instruments	— Equities — Preference shares — Corporate and Government bonds — Debentures and securitised debt instruments — Mutual funds / ETF — Derivatives — Indian Depository Receipts — Liquid and Short term instruments — Treasury bills — Commercial paper — Certificates of deposit
Market Statistics	— Market Capitalisation — BSE: USD 1,646 billion (Jul 2015) — NSE: USD 1,588 billion (Jul 2015) — Total Forex reserves: USD 353 billion (Jul 2015) — Debt limits for Foreign Portfolio Investors — Government securities: USD 30 billion — Corporate Debt: USD 51 billion
Stock Indices	

Source: Bloomberg

2.5. Trading guidelines overview

Settlement Currency	Indian Rupee (INR) - Convertible (on-shore)
Trading Hours	— Equity markets operate from Monday - Friday: 9.15am to 3.30pm (Pre-open call session - 9.00am to 9.15am) — SLB segment for Securities Lending & Borrowing and Debt segment for corporate bonds also follows the same schedule — F&O segment operates from 9.15am to 3.30pm — Currency derivative segment operates from 9.00am to 5.00pm — NDS-OM: Government Securities (G-Sec) market is avaliable from 9.00am to 5.00pm
Settlement Cycle	T+2 for Equities T+1 for Derivative T+1 for SLB T+1 for Government securities for all domestic investors. T+2 for all deals where one or both parties to the deal is a foreign portfolio investor T to T+2 for Corporate bonds
Account Structure	Segregated Securities Account Segregated Cash Account
Short Selling	Permitted - under the Securities Lending and Borrowing (SLB) regulation
Lock-in Period	None for equities. Specific debt instruments may include lock-in
Trade Pre-matching	Available
Fail Trades	Forced buy-in will be conducted by the exchange. Penalties will be levied
Securities Lending & Borrowing	Available. However, foreign investors can borrow only for delivery into short sales

2.6. Asset Classes

The asset classes available for Foreign investors
- Equity
- Fixed Income
- Derivatives
- Indian Depository Receipts (IDR)

2.6.1 Securities Identification

The securities in India are identified using the standard code called ISIN (International Securities Identification Number). The National Securities Depository Limited (NSDL) is appointed as the National numbering agency in India to issue the ISIN. From a trading perspective, trades on the stock exchange are also identified by separate codes issued by the stock exchanges.

2.6.2 Equities

- Ordinary Equity Shares
- Preference Shares
- Warrants

Equities can be held in physical or dematerialised form. All equity securities that are listed and traded on the stock exchanges are settled on a T+2 rolling settlement cycle basis in dematerialised form.

SEBI has mandated that settlement of transactions by foreign investors is to be done in the dematerialised form. SEBI has also mandated that all IPOs will be traded compulsorily in the dematerialised form.

2.6.3 Fixed Income

Fixed income instruments or bonds can be classified into the following segments based on the characteristics of the identity of the issuer of these securities:

Market Segment	Issuer	Instruments
Government of India Securities	Central Government	Treasury Bills / Zero-Coupon Bonds, Coupon Bearing Bonds, STRIPs in G-secs
	State Governments	Coupon Bearing Bonds
Public Sector Bonds	Government Agencies / Statutory Bodies	Govt. Guaranteed Bonds, Debentures
	Public Sector Units	PSU Bonds, Debentures
Private Sector Bonds	Corporates	Debentures, Bonds, Floating Rate Bonds, Zero Coupon Bonds, Commercial Papers, Inter-Corporate Deposits, Foreign Currency Exchangeable Bonds (FCEBs) Foreign Currency Convertible Bonds (FCCBs)
	Banks	Debentures, Bonds, Certificate of deposit
	Financial Institutions	Bonds

The Government Securities (G-Secs) are also referred to as Statutory Liquidity Ratio (SLR) securities in the Indian market as they are utilised by banks to maintain their SLR ratio. All the remaining Non-Government securities are called Non-SLR securities.

Some key features of the various fixed income instruments are detailed below.

Government Securities (G-Secs)

- G-Secs are medium to long term instruments issued by the Reserve Bank of India (RBI) on behalf of the Government of India (GoI) to finance the fiscal deficit of India
- They are issued in bearer form but a holder also has an option of getting them registered
- The securities are held in book-entry form with the RBI
- There is an option to hold the securities in electronic form with the Depositories (NSDL and CDSL) as well
- FPIs are not allowed to invest in Treasury bills and G-secs having residual maturity of less than three years

Corporate Bonds and Debentures

- Corporate bonds are issued with a variety of features
- Secured, unsecured debentures with maturity of 18 months are required to have a specified credit rating provided by approved credit rating agencies
- Corporate bonds are available in physical as well as in dematerialised form. FIIs / FPIs are permitted to trade in corporate bonds in the dematerialised mode only
- Corporate bonds are transferable by means of a registration process similar to equities
- Transfer of ownership of corporate bonds in physical form is by use of transfer deed and the certificates need to be registered with the issuer
- All publicly issued debentures are listed on exchanges
- FPIs are not allowed to invest in Corporate Bonds having residual maturity of less than three years

Commercial Paper

- Commercial Paper (CP) is a short term Rupee denominated and unsecured negotiable promissory note issued by Indian corporates, Primary Dealers (PDs) and Financial Institutions (FIs)
- With effect from June 2001, financial institutions were permitted to make fresh issuance and hold CPs in dematerialised form only
- With effect from February 3, 2015, FIIs / FPIs are not allowed to invest in Commercial Papers

Certificates of Deposit

- Certificate of Deposit is a short term, Rupee denominated deposit issued by Indian commercial banks and Indian Development Finance Institutions (DFIs)
- FIIs / FPIs are not allowed to invest in Certificates of Deposit

2.6.4 Derivatives

- Index Futures
- Index Options
- Single Stock Futures & Options
- Interest Rate Derivatives
- Currency Derivatives

2.6.5 Indian Depository Receipts (IDR)

A foreign company can access Indian securities market for raising funds through issue of Indian Depository Receipts (IDRs). An IDR is an instrument denominated in Indian Rupees in the form of a depository receipt created by a Domestic Depository (custodian of securities registered with the Securities and Exchange Board of India) against the underlying equity of issuing company to enable foreign companies to raise funds from the Indian securities markets.

2.6.6 Other Instruments

- Mutual Fund Units (MFs) – (Liquid / Money market not permitted for FPIs)
- Pass Through Certificates (PTCs)
- Exchange Traded Funds (ETFs)
- American / Global Depository Receipts (ADRs / GDRs)
- Securities receipts issued by securitisation companies or asset reconstruction companies under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002
- Tier 1 and Upper Tier II capital hybrid instruments issued by banks
- Units issued by a Collective Investment Scheme (CIS)
- Foreign Currency Exchangeable Bonds (FCEBs), Foreign Currency Convertible Bonds (FCCBs)

2.7. Foreign Exchange

Indian currency, the Rupee (INR), is non-convertible currency and the foreign exchange (FX) environment in India is tightly regulated and is governed by the Reserve Bank of India (RBI).

FX transactions can be booked through any Authorised Dealers of RBI. Registered foreign investors (FII / FPIs) are permitted to convert foreign currency only for the purpose of securities transactions

Contract Type	Description	FX Settlement
Spot	Spot FX is the most common foreign exchange transaction. A spot transaction requires to be settled within 2 business days	FX booked on T will settle for value date T+2
Tom	Tom FX is also referred to as overnight and settles on the following day	FX booked on T will settle for value date T+1
Cash / Same day	Cash FX matures on the day the transaction takes place	FX booked on T will settle for value date T itself
Forwards	RBI permits Foreign Portfolio Investors (FPIs) to book forward cover up to 100% of their exposure in the Indian capital market with respect to their equity and debt instruments. Forward contracts booked by FIIs / FPIs, once cancelled, can be rebooked up to 10% of the value of the contracts cancelled. Forward contracts can also be rolled over on or before their maturity RBI has also permitted FPIs to hedge the coupon receipts arising out of their investments in debt securities in India falling due during the following 12 months. The hedge contracts shall not be eligible for rebooking on cancellation. In case the coupon amount is yet to be received, then the contracts can be rolled over on maturity	Tenor of forward contracts generally extend up to one year
Foreign currency – rupee swaps	FPIs can undertake foreign currency rupee swaps only for hedging the flows relating to the IPO under the ASBA mechanism	Tenor of the swap should not exceed 30 days

Chapter 3 Investment routes into India

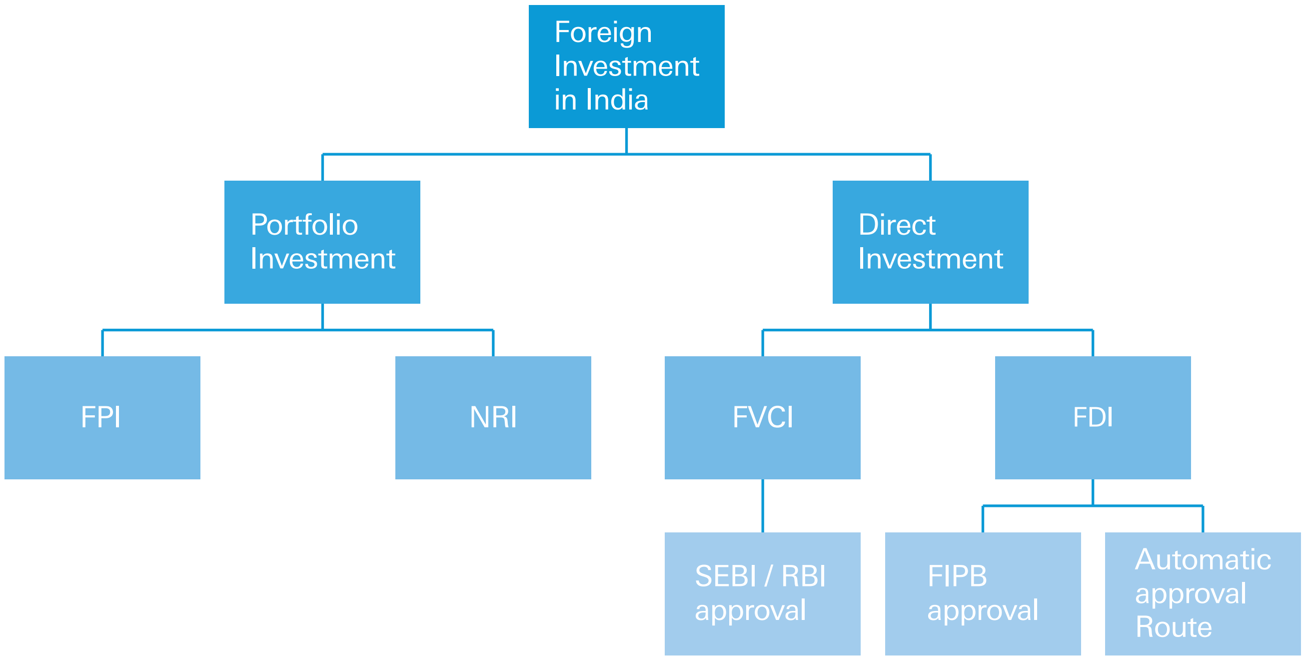
3.1. Foreign Investment Avenues

Foreign investors were permitted to invest in the Indian stock markets from 1992, when the Government of India issued the Guidelines for Foreign Institutional Investments. In November 1995, the SEBI (Foreign Institutional Investors) Regulations, 1995 were notified, which are largely based on the earlier guidelines. In 2014, SEBI established a harmonised framework for foreign investment in India called Foreign Portfolio Investor (FPI).

The following routes are open for foreign investors to invest funds in India

— FPIs: entities established or incorporated outside India, permitted to invest in listed Indian securities
— NRIs / PIOs: an Indian citizen who stays abroad for employment or carries on business or vocation outside India or a non-resident foreign citizen of Indian origin
— FDIs (Strategic investments in Indian companies): investments can be made either directly through the automatic investment route or prior approval from the Reserve Bank of India (RBI) / FIPB as mandated by the Government of India (GoI) from time to time
— FVCIs: investments in venture capital undertakings in specified sectors. Approval required from SEBI and the RBI

FPIs and NRIs have direct access to securities traded on the Indian domestic markets.



Given below are highlights of the various investment routes available to foreign investors for accessing the Indian capital market.

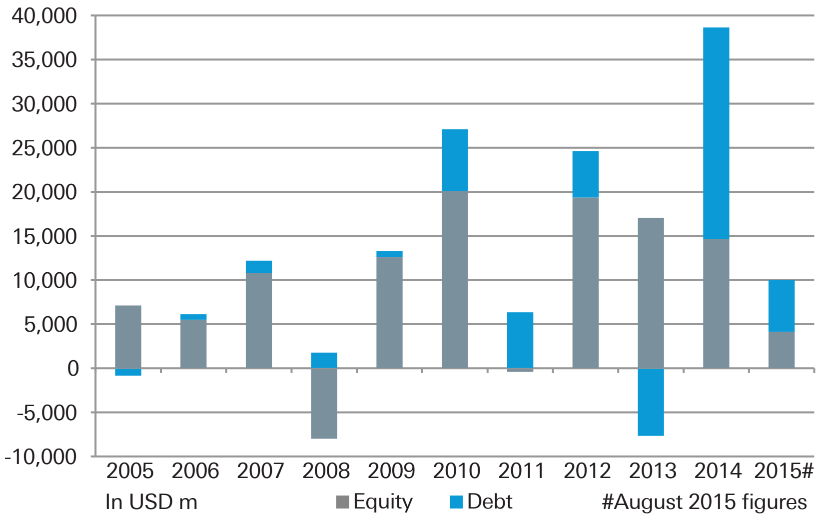
3.2. Foreign Portfolio Investor (FPI)

— A harmonised route, which came into effect from June 1, 2014, merging the two existing modes of investment i.e. Foreign Institutional Investor (FII) and Qualified Foreign Investor (QFI)
— Market entry through Custodian, who executes market registration process on behalf of SEBI in its role as a Designated Depository Participant (DDP)
— Categorisation model for client registration and risk based KYC
— Perpetual registration with fee payment every three years
— One-time Conversion Fee for existing FIIs and sub-accounts moving to FPI status
— Individual investment limit to be below 10% equity in any company, and a composite limit of 24% overall which can be increased upto the sectoral cap applicable to the sector

FPI Investment Statistics

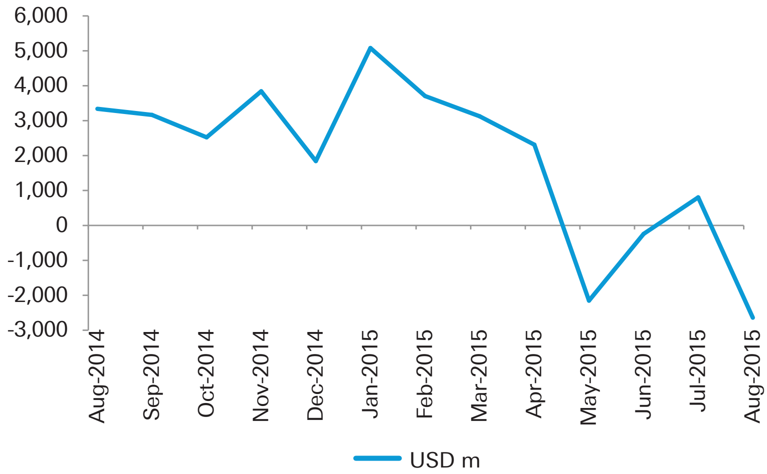
Net Investments through FII / FPI route

(Source: NSDL statistics)



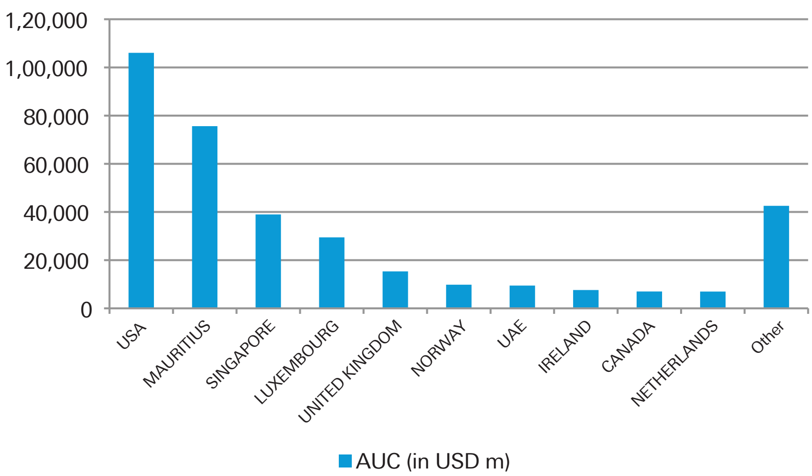
FPI Investment Trend - Aug 2014 to Aug 2015

Source: NSDL website



FPI Investment Trend (Top 10 countries)

Source: NSDL website



Non – Resident Indians (NRIs): Portfolio Investment route for entities classified as Non-Resident Indians (NRI) and Persons of Indian Origin (PIO)

- Only for entities eligible as NRI / PIO as per Government guideline. Overseas Citizens of India (OCIs) are also included in the definition of NRIs as per the revised FDI policy effective from June 18, 2015
- Custodian not compulsory
- Investment in Listed securities and other permissible options
- Individual Limit of 5% equity in any company, and a composite limit of 10% overall
- Uniform KYC guidelines applicable

Foreign Direct Investment (FDI): for strategic investments

- Sectoral entry rules; automatic or FIPB (Foreign Investment Promotion Board, Commerce Ministry) approval
- RBI guidelines are applicable for entry, exit, pricing, shareholder agreements etc.
- Private placements of listed / unlisted equity, Compulsorily Convertible Debentures (CCDs); Initial Public Offers (IPOs) not allowed
- Pricing guidelines as per internationally accepted norms
- Permitted to purchase shares of listed companies on the exchange through a registered broker subject to the condition that the non-resident investor has already acquired and continues to hold control in accordance with SEBI Substantial Acquisition of Shares and Takeover (SAST) Regulations, in the investee company

Foreign Venture Capital Investment (FVCI): for attracting foreign investment in selected ventures / industries identified by Government to encourage certain sectors of the economy

- SEBI Registration and RBI Approval required along with payment of fees
- Custodian compulsory
- Limited secondary market purchases, exits permitted
- Investment through IPO permitted (Qualified Institutional Buyer-QIB status)
- Investments restricted to nine sectors
- No pricing guidelines

Besides the above, foreign investments can also be made from off-shore platform through the Depository Receipts mechanism.

Depository Receipts

Indian companies are permitted to raise foreign currency resources through two main sources:(a) Foreign Currency Convertible Bonds (FCCBs) (b) Depository receipts, namely, Global Depository Receipts (GDRs) / American Depository Receipts (ADRs) to foreign investors i.e. institutional investors or individuals (including NRIs) residing abroad. A depository receipt (DR) is any negotiable instrument in the form of a certificate denominated in US dollars. The certificates are issued by an overseas depository bank against certain underlying stock / shares. DRs facilitate cross border trading and settlement, minimise transactions costs and broaden the potential base, especially among institutional investors.

American Depository Receipts (ADRs): a negotiable US certificate representing ownership of shares in a non-US corporation. ADRs are quoted and traded in US dollars in the US securities market. Also, the dividends are paid to investor in US dollars.

Global Depository Receipts (GDRs): defined as a global finance vehicle that allows an issuer to raise capital simultaneously in two or more markets through a global offering. GDRs may be used in either the public or private markets inside or outside the US.

Foreign investments through the Depository Receipts route are part of the FDI (Foreign Direct Investments) segment.

Segregated demat accounts will have to be opened for ADR / GDR investors, FCCB investors, FDI, FPI and FVCI investors. Investments done through the other available investment routes cannot be co-mingled with the investments done through FPI route.

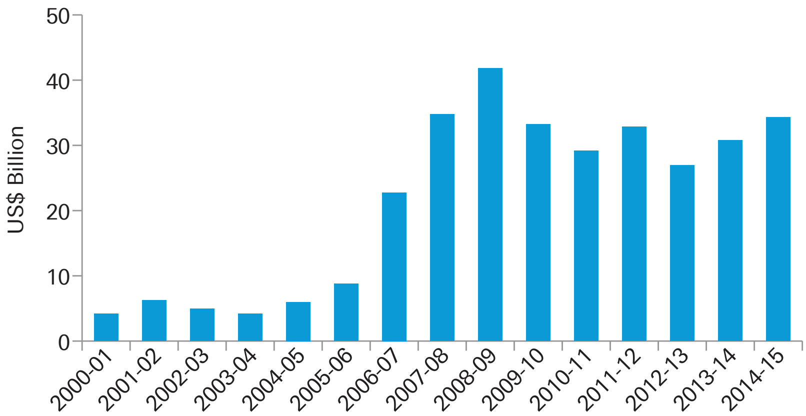
3.3. FDI Overview

Foreign Direct Investments (FDI) in India attract provisions of the Foreign Exchange Management Act 1999 and are subject to the Regulations issued by the Reserve Bank of India (RBI) under FEMA 1999. The enabling regulation for investments by foreign investors has been notified vide Notification No. FEMA 20/2000-RB dated May 3, 2000 (as amended). An Indian entity cannot issue any security to a person resident outside India or record in its books any transfer of securities except as provided under these regulations or with specific permission of the RBI.

The chart below displays the FDI investment trend into India since 2000

Net FDI to India

Source: RBI Annual Report 2014-15



FDI Investments can be made by non-residents in the equity shares, compulsorily and mandatorily convertible debentures / preference shares of an Indian company, through the Automatic Route or the Government Route.

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

— Government Route: FDI in activities not covered under the automatic route requires prior approval of the Government which are considered by the Foreign Investment Promotion Board (FIPB), Department of Economic Affairs, Ministry of Finance. Plain paper applications carrying all relevant details are also accepted. No fee is payable.

3.3.1 General Conditions

— Non-resident entity can invest in India subject to FDI Policy. Citizen / Entity incorporated in Pakistan or Bangladesh can invest only under the Government route

— Investments can be made by non-residents in the capital of a resident entity only to the extent of the percentage of the total capital as specified in the FDI policy

— Investments by non-residents may be permitted in the equity capital of a resident entity in certain sectors / activity with entry conditions

— Any non-resident investment in an Indian company is direct foreign investment. Investment by resident Indian entities could again comprise of both resident and non-resident investment. Thus, such an Indian company would have indirect foreign investment if the Indian investing company has foreign investment in it. The indirect investment can also be a cascading investment i.e. through multi-layered structure

— Authorised Dealer Banks can allow the remittance of sale proceeds of a security (net of applicable taxes) to the seller of shares resident outside India, provided the security has been held on repatriation basis, the sale of security has been made in accordance with the prescribed guidelines and No Objection Certificate (NOC) / tax clearance certificate from the Income Tax Department has been produced

Relaxation in FDI policy on instruments having exit options

- Reserve Bank of India (RBI) has relaxed the existing Foreign Direct Investment (FDI) policy by permitting optionality clauses such as ‘put option’ and ‘call option’ in equity shares and compulsorily convertible preference shares / debentures issued to non-resident entities along with guidelines
- Minimum lock-in period shall be higher of lock-in period, under FDI Regulations, or one year
- The lock-in period shall be effective either from the date of allotment of the instrument or as prescribed for specific sectors
- Post the expiry of the lock-in period, the non-resident investor exercising the option shall be eligible to exit without any assured return
- All existing contracts will have to comply with the above conditions to qualify as FDI compliant

Revision in Valuation norms

RBI has modified the valuation norms under the FDI scheme to be in accordance with acceptable market practices and stated that pricing of shares or debentures with or without optionality clauses in unlisted companies is to be worked out as per internationally accepted pricing methodology on arm’s length basis.

3.3.2 Composite caps

The Government of India has notified amendments to the extant Foreign Direct Investment (FDI) policy by introducing composite caps for simplification of FDI policy to attract foreign investments.

Under the new policy, FDI, Foreign Portfolio Investment (FPI), Depository Receipts (DRs) and investments by Non-Resident Indians would be clubbed together under a composite cap. The Foreign Exchange Management Agreement (FEMA) amendment incorporating the changes is yet to be notified by the Reserve Bank of India (RBI).

Foreign Currency Convertible Bonds (FCCBs) and DRs having underlying instruments, in the nature of debt, shall not be treated as foreign investment. However, any equity holding by a person resident outside India resulting from conversion of any debt instrument under any arrangement shall be reckoned as foreign investment.

Highlights of the new announcement

- Foreign investment in sectors under Government approval route resulting in transfer of ownership and / or control of Indian entities from resident Indian citizens to non-resident entities will be subject to Government approval. Foreign investment in sectors under automatic route but with conditionalities, resulting in transfer of ownership and/or control of Indian entities from resident Indian citizens to non-resident entities, will be subject to compliance of such conditionalities
- The sectors which are already under 100% automatic route and are without conditionalities would not be affected
- Portfolio investment, up to aggregate foreign investment level of 49%, will not be subject to either government approval or compliance of sectoral conditions, as the case may be, if such investment does not result in transfer of ownership and/or control of Indian entities from resident Indian citizens to non-resident entities
- Total foreign investment, direct and indirect, in an entity will not exceed the sectoral / statutory cap
- Any existing foreign investment already made in accordance with the policy in existence would not require any modification to conform to these amendments
- The onus of compliance with the provisions will be on the investee company
- In the defence sector, where the sectoral cap is 49%, portfolio investment by FPIs / FIIs / QFIs and investments by FVCIs together will not exceed 24% of the total equity of the investee/ Joint Venture Company. Portfolio investments will be under automatic route
- In banking-private sector, where the sectoral cap is 74%, portfolio investment by FPI / FII / QFI investment will continue to be within 49% of the total paid up capital of the company

Indirect Foreign Investment in Indian company shall include all types of foreign investments regardless of whether the said investment has been made as FDI under Schedule 1; investment by FIIs under Schedule 2 (holding as on March 31); under Schedule 2A as FPIs (holding as on March 31); QFIs (holding as on March 31); under Schedule 3 as NRIs; under Schedule 6 as FVCI (holding as on March 31), under Schedule 9 as Limited Liability Partnership (LLPs) and under Schedule 10 as DRs; Foreign Currency Convertible Bonds (FCCB) and DRs having underlying instruments which can be issued under Schedule 5, being in the nature of debt, shall not be treated as foreign investment. However any equity holding by a person resident outside India resulting from conversion of any debt instrument under any arrangement shall be reckoned as foreign investment.

3.3.3 Prohibited Sectors for FDI

— Lottery Business including Government/private lottery, online lotteries, etc.
— Gambling and Betting including casinos etc.
— Chit funds
— Nidhi company
— Trading in Transferable Development Rights (TDRs)
— Real Estate Business or Construction of Farm Houses Manufacturing of cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes
— Activities / sectors not open to private sector investment e.g. Atomic Energy and Railway operations

Foreign technology collaboration in any form including licensing for franchise, trademark, brand name, management contract is also prohibited for Lottery Business, Gambling and Betting activities.

3.3.4 Permitted Sectors for FDI

The sectors / activities in which foreign investment up to the limit indicated against each sector / activity is allowed can be accessed by visiting this link:
http://www.dipp.gov.in/English/Policies/FDI_Circular_2015.pdf

Investments in these sectors will be subject to the conditions of the extant policy on specified sectors and applicable laws / regulations; security and other conditionalities. In the sectors / activities not listed therein, foreign investment is permitted up to 100% on the automatic route, subject to applicable laws / regulations; security and other conditionalities.

3.4. FVCI overview

A Foreign Venture Capital Investor (FVCI) is an investor incorporated or established outside India who can invest either in a Domestic Venture Capital Fund or a Venture Capital Undertaking (Domestic Unlisted Company). Regulators have imposed certain restrictions on use of funds for those who register as an FVCI.

3.4.1 Market Entry

The Securities and Exchange Board of India (SEBI) has invited foreign investors to make investments in venture capital funds and venture capital undertakings in India and has issued detailed regulations, known as the SEBI (Foreign Venture Capital Investors) Regulations 2000. The Reserve Bank of India (RBI) has also permitted FVCI to invest in India subject to compliance with FEMA regulations and sector specific caps of FDI.

Registration: for the purposes of seeking registration under these regulations, the applicant shall make an application to the Board in Form A along with the application fee.

Eligibility Criteria	— Professional Competence, Financial soundness, Experience, General reputation of fairness, Integrity — Applicant is an asset management company, investment manager or investment management company or any other investment vehicle incorporated outside India — Applicant is authorised to invest in venture capital fund or carry on activity
Furnishing of information, clarification	— Other relevant information or clarification with respect to the registration process such as Investment strategy, commitment letters from Investors, life cycle of funds, etc.
Consideration of application	— All the rejected application to get 30 days time period to revert with appropriate requirements
Procedure for grant of certificate	— Regulators to send an intimation if application is approved to grant certificate — The registration fee USD 2,500 at the time of application and balance of USD 10,000 to be paid post receipt of in principle approval
Conditions of certificate	Certificate granted to the foreign venture capital subject to these conditions — Abide by the provisions of the Act, and these regulations; — Appoint a domestic custodian for purpose of custody of securities; shall have operating non-resident rupee and foreign currency account

3.4.2 Investment Restrictions

All investments to be made by an FVCI would be subject to these restrictions

- Disclose their investment strategy (and any subsequent changes) to SEBI
- They can invest its total funds committed in one venture capital fund / undertaking
- Not allowed to invest in Venture Capital undertakings engaged in activities which are under the negative list of the SEBI FVCI Regulations 2000

The following investment limits are applicable to FVCI investments

- At least 66.67% of the investible funds* have to be invested in unlisted equity shares or equity linked instruments
- Not more than 33.33% of the investible funds can be invested by way of:
  - subscription to initial public offer of a venture capital undertaking whose shares are proposed to be listed
  - debt or debt instrument of a venture capital undertaking in which the foreign venture capital investor has already made an investment by way of equity
  - preferential allotment of equity shares of a listed company subject to lock in period of one year
  - the equity shares or equity linked instruments of a financially weak company or a sick industrial company whose shares are listed
  - special purpose vehicles which are created for the purpose of facilitating or promoting investment in accordance with these Regulations

*Investible funds means the fund committed for investments in India net of expenditure for administration and management of the fund.

— FX transactions of FVCI investors can be executed with any Authorised Dealer (AD) Bank
— The actual inflow / outflow on account of remittances in USD and investments made by an FVCI should be reported to the RBI by the designated bank within 10th of the next month for previous month
— FVCI may acquire or sell securities at a price mutually acceptable to the buyer and seller / issuer
— FVCIs may invest in eligible securities (which include equity, equity linked instruments, debt, debt instruments, debentures of an Indian Venture Capital Undertaking (IVCU) or Venture Capital Funds(VCF), units of schemes of funds set up by VCFs), through private arrangements / purchase from third parties

3.4.3 FVCI as FPI

The Securities and Exchange Board of India (SEBI) has permitted Designated Depository Participants (DDPs) to grant registration as Foreign Portfolio Investor (FPI) to applicants holding registration as FVCIs, subject to the following:

— Applicant complies with the eligibility criteria as prescribed under SEBI (FPI) Regulations, 2014 and is not an opaque structure as defined in the FPI regulations
— The funds raised, allocated and invested must be clearly segregated as FPI and FVCI
— Applicant will appoint same custodian for its activities as FPI and FVCI
— Separate accounts must be maintained with the custodian for execution of trades as well as for securities held under FVCI and FPI registrations
— Reporting of transactions must be done separately according to the conditions applicable under the specific registration
— All the conditions applicable to the entity under the respective registrations must be complied with at the level of the segregated funds and activities with respect to the specific registrations
— The investment restrictions as applicable to FPIs will be applicable to FVCI applicants also
— Investment limit of below 10% of the total issued capital of the company shall be applicable across FPI and FVCI investment clubbed together

3.4.4 Access Products

Offshore derivative products (ODI): is a market access product used by foreign investors to access the Indian capital market without directly registering as a foreign investor in the Indian capital market. The reasons for foreign investors using this route vary from achieving tax-efficiency without the need to set-up new entity, doing away with the requirement of managing funding and currency risk across several currencies, saving on cost involved in direct set-up and related resource commitments.

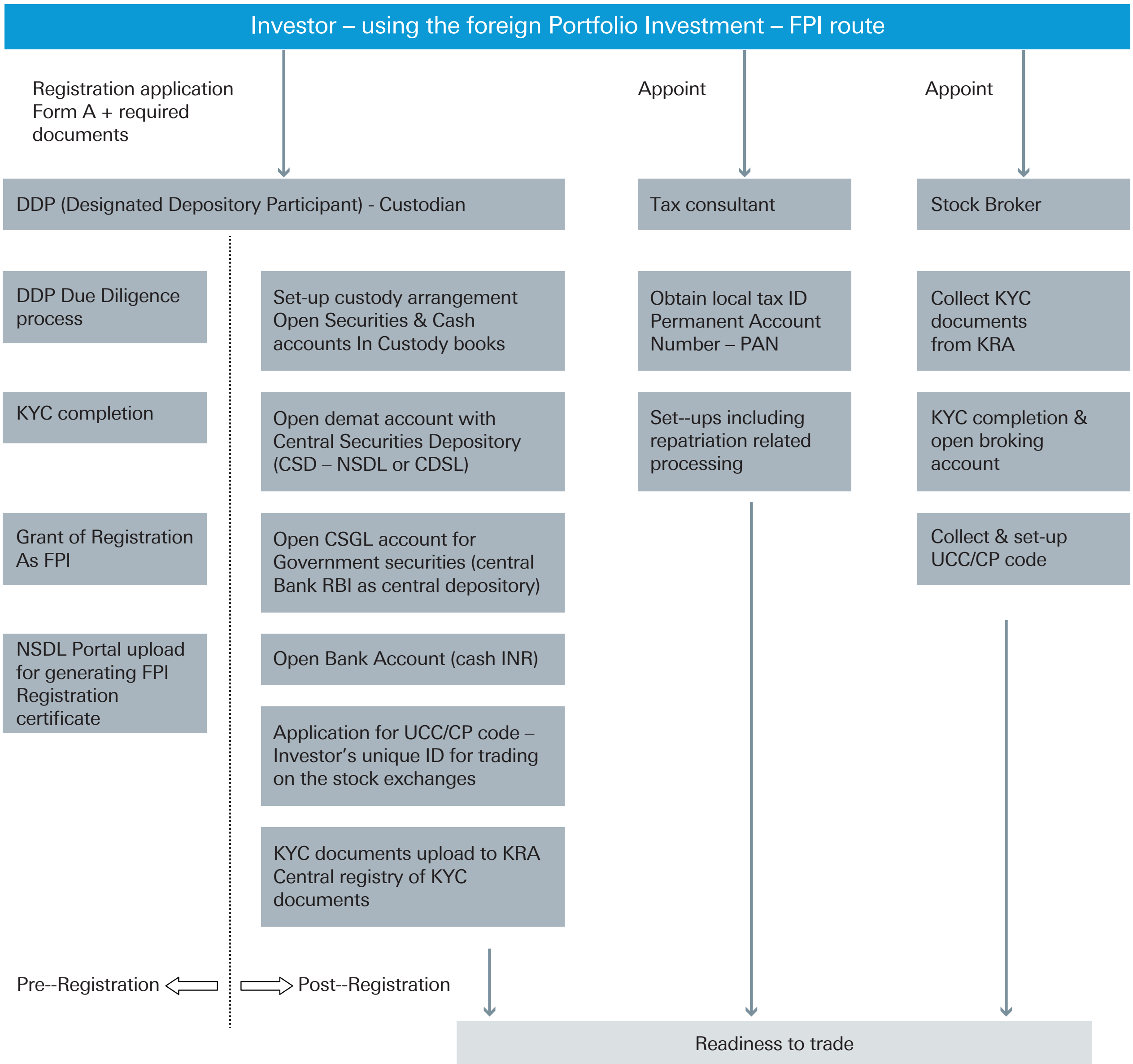
As per the existing regulations, Category I and Category II FPIs are permitted to issue ODIs subject to compliance with the prescribed norms. Category III FPIs and FPIs categorised as Category II by virtue of their regulated investment manager are prohibited from issuing ODIs.

Chapter 4 Foreign Portfolio Investor (FPI) – Market Entry

4.1. Introduction

As part of the efforts to harmonise foreign investment routes into India, a joint initiative across regulators and Government of India (Shri K.M.Chandrasekhar Committee) has introduced a single entry portfolio investment route for foreign investors called – FPI (Foreign Portfolio Investors). In effect, the erstwhile FII and QFI regimes have been merged into the FPI regime. This initiative, besides introduction of FPI route, has also brought about important changes to market mechanisms, aimed at efficiency and global standards in key market processes. Existing FII and sub-accounts are now recognised and operate as deemed FPIs.

Foreign Portfolio Investors – Market entry flowchart



4.2. Eligibility Criteria

Universal entry norms as listed below have been prescribed for FPIs interested in accessing the Indian capital market.

- The applicant is a person not resident in India – Also Non resident Indians (NRIs) cannot access this route for investments into India
- The applicant is resident of a country whose securities market regulator is a signatory to International Organisation of Securities Commission's (IOSCOs) Multilateral Memorandum of Understanding (Appendix–A Signatories) or a signatory to bilateral Memorandum of Understanding with the Board

  The current list of permissible IOSCO jurisdictions can be accessed by visiting this link https://www.iosco.org/about/?subSection=mmou&subSection1=signatories

  List of countries that have bilateral MOU with SEBI is available on this link http://www.sebi.gov.in/cms/sebi_data/attachdocs/MoUSebi.pdf

- In case of banks, applicant is a resident of a country whose central bank is a member of Bank for International Settlements (BIS)

  List of countries whose Central Bank is a member of the BIS is available on this link http://www.bis.org/about/member_cb.htm

- Applicant not resident in a country identified in the public statement of Financial Action Task Force (FATF) as:
  - a jurisdiction having a strategic Anti-Money Laundering or Combating the Financing of Terrorism deficiencies to which counter measures apply, 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 on this link http://www.fatf-gafi.org/topics/high-riskandnon-cooperativejurisdictions [Ref. Regulation 4(b), 4(c) and 4(d)]

- The applicant is legally permitted to invest in securities outside the country of its incorporation or establishment or place of business
- The applicant is authorised by its Memorandum of Association and Articles of Association or equivalent document(s) or the agreement to invest on its own behalf or on behalf of its clients
- The applicant has sufficient experience, a good track record, is professionally competent, financially sound and has a generally good reputation of fairness and integrity
- The grant of certificate to the applicant is in the interest of the development of the securities market
- The applicant is a fit and proper person based on the criteria specified in Schedule II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008
- Any other criteria specified by SEBI from time to time

Opaque structures not permitted

Opaque structure shall mean any structure such as a protected cell company, segregated cell company or equivalent, where the details of ultimate beneficial owners are not accessible or where the beneficial owners are ring fenced from each other or where the beneficial owners are ring fenced with regard to enforcement.

Investors having opaque structure(s) will not be considered for the FPI Registration unless such structure is mandatory as per the law in the home jurisdiction of the entity and provided the following criteria are met:

- The applicant is regulated in its home jurisdiction

- Each fund or sub fund in the applicant satisfies broad based criteria (at least 20 investors, with no investor holding more than 49% of the shares or units)
- The applicant provides an undertaking to furnish information regarding its beneficial owners as and when SEBI seeks this information

4.3. Categorisation

A foreign investor shall seek registration as a FPI under any one of these three categories.

Category	Entities
I	Government and Government related investors such as central banks, Governmental agencies, sovereign wealth funds and international or multilateral organizations or agencies

II	— appropriately regulated broad based funds such as mutual funds, investment trusts, insurance / reinsurance companies;
	— appropriately regulated persons such as banks, asset management companies, investment managers / advisors, portfolio managers;
	— broad based funds that are not appropriately regulated but whose investment manager is appropriately regulated, provided that
	  — The investment manager of such broad based fund is itself registered as Category II Foreign Portfolio Investor and
	  — The investment manager undertakes that it shall be responsible and liable for all acts of commission and omission of all its underlying broad based funds and other deeds and things done by such broad based funds under these regulations
	— University funds and pension funds; and
	— University related endowments already registered with the Board as FII or sub–accounts

III	Shall include all others not eligible under Category I and II Foreign Portfolio Investors such as endowments, charitable societies, charitable trusts, foundations, corporate bodies, trusts, individuals and family offices

Notes to categorisation table

- Appropriately regulated: an applicant seeking registration as a foreign portfolio investor shall be considered to be 'appropriately regulated' if it is regulated or supervised by the securities market regulator or the banking regulator of the concerned foreign jurisdiction, in the same capacity in which it proposes to make investments in India
- Broad Based Fund: a fund, established or incorporated outside India, which has at least 20 investors, with no investor holding more than 49% of the shares or units of the fund:
  - Provided that if the broad based fund has an institutional investor who holds more than 49% of the shares or units in the fund, then such institutional investor must itself be a broad based fund
  - To determine whether an entity qualifies for the broad based criteria, for ascertaining the number of investors in a fund, direct investors as well as underlying investors shall be considered. However, only investors of entities which have been set up for the sole purpose of pooling funds and making investments shall be considered for the purpose of determining underlying investors
- Insurance and Re-insurance companies: it is clarified that insurance and reinsurance companies shall be deemed to be appropriately regulated for the purpose of the Regulations, if they are regulated or supervised by the relevant regulator in their concerned foreign jurisdiction in the same capacity in which they propose to make investments in India
- Investment manager: the Investment manager shall mean an entity performing the role of investment management, investment advisory, trustee or any equivalent role and is responsible for investment related compliance of the foreign portfolio investor

4.4. Registration process and documentation requirement

An application for the grant of certificate as foreign portfolio investor shall be made to the Designated Depository Participant (DDP) in Form A of the First Schedule and shall be accompanied by the fee specified in Part A of the Second Schedule

Documentation requirement for registration as FPI:
- Application to DDP (Form A)
- Standard Declaration / Undertakings to be submitted to DDP
- Other registration documents (Refer Appendix)

4.5. Role of Designated Depository Participant (DDPs)

Designated Depository Participant or DDP means a person who has been approved by the SEBI Board and shall be custodian of securities registered with SEBI, an Authorised Dealer Category I bank authorised by RBI and a Depository Participant. With the objective of bringing out efficiency in the market entry process, SEBI has shifted the registration process for foreign investors from SEBI to DDPs under the FPI regulation 2014.

This is a shift from the erstwhile process, wherein the due diligence process earlier done by SEBI is now performed by the DDPs and registration granted to the applicant within a period of 30 days from the date of receipt of complete application.

The FPI will also enter into an agreement with the DDP engaged by it to act as custodian of securities, before making investment under these regulations.

Change of DDP

In case the FPI wishes to change the DDP, the request for change shall be routed through the proposed DDP to SEBI for their approval. Documents to be submitted are as follows:
- Request from the FPI for change of DDP
- No objection Certificate(NOC) to be issued by the existing / transferor DDP
- Acceptance letter from the proposed / transferee DDP

4.6. Registration duration and fees

The registration as a FPI is valid for a block of three years. Category II and Category III investors need to pay USD 3,000 and USD 300 respectively to the DDP, who are responsible to transfer the funds to the designated bank account of SEBI.

Summary of the fee structure

Category	Fees	Validity of Registration
I	Exempt*	Three years
II	USD 3,000	Three years
III	USD 300	Three years

*Category I investors are exempted from the payment of registration fees. However, in case of FPIs having common beneficial owner(s), the privilege of registration fee exemption will only be extended to one FPI and the rest will be liable to pay registration fees as applicable to Category II, except where the beneficial owner is an international / multilateral agency such as World Bank and other Institutions, established outside India for providing aid, which have been granted privileges and immunities from payment of duties and taxes by the Central Government.

4.6.1 Conditional Registration

If the applicant is newly incorporated / established seeking to register itself as a broad based fund under Category II, but does not satisfy the broad based criteria at the time of making application, the DDP may consider grant of conditional registration, with validity period of 180 days to such applicant if:

- The applicant is an India dedicated fund or undertakes to make investment of at least 5% corpus of the fund in India
- The applicant undertakes to comply with the broad based criteria before the validity of its conditional registration i.e. within 180 days
- In order to assess the compliance with the broad based criteria, the FPI shall provide details of investors to the DDP. The DDP may, after, appropriate due-diligence, issue acknowledgement regarding fulfillment of broad based criteria, if it is satisfied
- In case the DDP issues acknowledgement regarding fulfillment of broad based criteria, the conditional registration shall be treated as registration, henceforth

If the FPI fails to satisfy the DDP that it has attained broad based status within 180 days, it shall be reclassified as Category III. The accounts of such entities would be blocked until the balance KYC documents as applicable under Category III are regularised. The FPI cannot execute new purchases, however they can hold / sell the existing stocks in the clients account. Further, in case the client holds any securities that they cannot hold under Category III, then such securities will need to be disinvested as per SEBI Guidelines.

4.6.2 Categorisation by virtue of Investment Manager

Unregulated broad based funds can seek registration as Category II FPI provided the investment manager of such broad based entity is appropriately regulated and registered as Category II FPI.

4.6.3 Surrender of Registration

Where an FPI desires to surrender its certificate of registration, it may make an application to the DDP. The DDP shall accept the surrender of registration after ensuring the following:

- There are no dues by the applicant outstanding to SEBI
- The holdings of the concerned applicant in security account and bank account is nil
- SEBI has given its No Objection Certificate (NOC)

4.6.4 Procedure for Sale of Securities after Expiry of Registration (FII / FPI)

- FPIs which are not desirous of continuing with the registration but are holding certain securities may hold such securities after expiry of registration. Such FPIs shall be permitted to hold the residual securities for subsequent disposal, after the expiry of FPI registration, subject to receipt of specific permission from DDP in this regard
- The procedure for seeking permission for disinvestment by FPIs after expiry of registration is given below
  - At the time of expiry of registration, the FPI desiring permission for disinvestment shall make a request to DDP along with details of its holdings
  - The DDP may grant such permission for disinvestment with an initial validity period of six months
- The required sale trades shall be carried out by the FPI only after receipt of permission from DDP
- The permission shall be granted only for sale of the securities held by the FPI as on date of expiry of registration. No purchase transactions shall be permitted after the expiry of registration
- Credit of corporate benefits and application for rights issue in respect of existing securities would be permitted
- If the FPI is unable to sell the securities within six months, it can approach the DDP for extension of permission. The request shall mention the reason for seeking extension and also accompanied by a statement of current holdings in the required format. These requests may be considered based on the merits of the case

4.7. Other applicable norms

4.7.1 Home jurisdiction compliance – change in status

- If a jurisdiction, which was compliant with SEBI (FPI) Regulations at the time of grant of registration to FPI, becomes non compliant i.e. ceases to be member of IOSCO / BIS or the concerned jurisdiction is listed in FATF public statement as ‘high risk’ and ‘non-cooperative’ jurisdiction, then concerned DDP shall not allow the FPIs belonging to such jurisdictions to make fresh purchases till the time the jurisdiction is compliant with SEBI (FPI) Regulations. However, the FPI shall be allowed to continue to hold the securities already purchased by it
- The concerned DDP shall inform SEBI a list of such jurisdiction along with the details of FPIs belonging to the jurisdiction

4.7.2 Change in Material Information

- Under the Regulations, if there is any material change in the information previously furnished by it to the Designated Depository Participant and / or Board, which has a bearing on the certificate granted by the Designated Depository Participant on behalf of the Board, it shall forthwith inform the DDP and / or SEBI
- Such material change may include: direct or indirect change in control, change in regulatory status, merger, demerger or restructuring, change in category, change in structure etc.
- The DDP shall examine all such material changes and re-assess the eligibility of the FPI
- Where there is a delay of more than six months in intimation of material change by the FPI to the DDP, the DDP shall, forthwith, inform all such cases to SEBI for appropriate action, if any

4.7.3 Name Change

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

- Original FPI registration certificate granted in the old name
- Certified copy of document(s) from home regulator evidencing the name change
- Certified copy of document(s) from of Registrar of Company (or equivalent authority) (wherever applicable) issued, thereby evidencing the name change
- An undertaking by the FPI stating that it is a mere name change and does not involve change in beneficial ownership

Upon receipt of the request for name change along with above mentioned documents, the DDP shall effect the change in name in the Registration Certificate and in its database. If there is a delay of more than six months in intimation of name change by the FPI to the DDP, then it shall lead to violation of Regulation 23(1)(c) and liable for penal action, as deemed fit, by SEBI. The DDP is required to forward all such cases of delayed reporting to SEBI for appropriate penal action, if any.

FPIs undergoing a name change will have to obtain PAN card in the new name issued by the Income Tax. Clients are requested to connect with their Tax consultants for the same, The PAN card in the new name will be required to complete the KYC on the KRA.

4.8. Migration from FII / sub-accounts to FPI

Interim process for converting into FPI will require the FII / sub-accounts (FII / SAs) to submit the registration as well as KYC documents as required for a new FPI accessing the market.

The existing FIIs / SAs may continue to buy, sell or deal in securities till the expiry of their current registration. Such FII / SAs shall be required to pay conversion fees on or before the expiry of their current registration. At the time of conversion, the FII must return the certificate of registration in original to the DDP.

In case the FIIs / SAs convert to FPI before the expiry of registration as FII / SA, the original registration will continue to be valid till expiry of their current registration.

If an FII or any of its proprietary SAs chooses to convert as FPI, then all of its SAs shall be required to convert as FPI. However, if any SA other than proprietary SA chooses to convert as FPI, then the respective FII and its other SAs whether proprietary or broad based need not convert as FPI till the validity of their registrations

Post the completion of registration process, the client also needs to comply with the applicable KYC norms as prescribed by SEBI and RBI for opening of securities, depository and cash account of the FPI applicant before the applicant can commence investment in the capital market.

Documentation requirement for Conversion and Renewal of registration as FPI

Renewal and Conversion letter	For Each Entity (Combined is also fine)
Form A (For each of the entity intending to convert to FPI)	For Each Entity
Standard Declaration and Undertaking (SEBI SDU)	For Each Entity
Conversion fees of USD 1000 for each client	For Each Entity
Renewal fees as applicable	For Each Entity
Original Certificate of registration granted to the FII	Only for FII
KYC documents as advised below	In the name reflected on PAN

4.9. Requirement of PAN (Permanent Account Number)

Every FPI is required to obtain tax registration number PAN, before it can start its operations in India (i.e. operating the demat account and investing in the Indian securities). Tax registration is required to be quoted in all the communications with the tax authorities.

Procedure for obtaining PAN card

For the purpose of obtaining PAN, FPIs are required to make an application in the prescribed form i.e. Form 49AA. This duly filled application form is required to be submitted to the designated authorities along with the necessary information and documents. The information and document required for obtaining PAN would depend on the legal status / form of the applicant e.g. company, trust, partnership firm, individual, etc. The tax consultant appointed by the FPIs generally assists them in obtaining the PAN card.

In case of an applicant being a legal entity such as Company / Trust / Partnership firm (i.e. other than foreign individual)

Information and Documents required for PAN

Sr No	Details required for application
Basic details required for PAN application	
1	Full name
2	Date of Incorporation (DD/MM/YYYY)
3	Registration Number
4	Full name and address of the office (along with the State name, Country name and Zip code)
5	Name, designation and e-mail address of the authorised signatory

Sr No	Details required for application
Basic details required for PAN application	
6	Telephone number / Mobile number along with ISD code and STD / Area code
7	Legal Status of the applicant in its country of incorporation
8	Detail of sources of income (Source of income is mandatory) a. Income from Business / Profession b. Income from Capital Gain c. Income from Other Sources
9	Know Your Customer (KYC) requirements as prescribed

Custodians are required to verify the PAN card, issued by Income tax authorities in India on the Income tax website, before opening any depository account. Hence the applicant entity will need to submit either the original PAN card or copy of the PAN card to the custodian for verification in order to open depository accounts.

4.10. General Obligations and Responsibilities of Foreign Portfolio Investors

- A foreign portfolio investor shall
  - comply with the provisions of the FPI regulations, as far as they may apply, circulars issued thereunder and any other terms and conditions specified by the Board from time to time;
  - forthwith inform the Board and designated depository participant in writing, if any information or particulars previously submitted to the Board or designated depository participant are found to be false or misleading, in any material respect
  - forthwith inform the Board and designated depository participant in writing, if there is any material change in the information previously furnished by him to the Board or designated depository participant
  - as and when required by the Board or any other government agency in India, submit any information, record or documents in relation to its activities as a foreign portfolio investor
  - forthwith inform the Board and the designated depository participant, 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 Permanent Account Number from the Income Tax Department
  - in relation to its activities as foreign portfolio investor, 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 designated depository participant
  - provide such declarations and undertakings as required by the designated depository participant; and
  - provide any additional information or documents as may be required by the designated depository participant to ensure compliance with the Prevention of Money Laundering Act, 2002 and rules and regulations prescribed thereunder, Financial Action Task Force standards and circulars issued from time to time by the Board
- In case of jointly held depository accounts, each of the joint holders shall meet the requirements specified for foreign portfolio investor and each shall be deemed to be holding a depository account as a foreign portfolio investor
- In case the same set of ultimate beneficial owner(s) invest through multiple entities, such entities shall be treated as part of same investor group and the investment limits of all such entities shall be clubbed at the investment limit as applicable to a single foreign portfolio investor
- In case of any direct or indirect change in structure or beneficial ownership of the foreign portfolio investor, it shall bring the same to the notice of its designated depository participant forthwith

4.11. Code of Conduct

A foreign portfolio investor shall, at all times, abide by the code of conduct as specified in Third Schedule of FPI regulations

- A foreign portfolio investor 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
- A foreign portfolio investor shall, at all times, render high standards of service, exercise due diligence and independent professional judgment
- A foreign portfolio investor shall ensure and maintain confidentiality in respect of trades done on its own behalf and/or on behalf of its clients
- A foreign portfolio investor shall ensure the following:
  - Clear segregation of its own money / securities and its client's money / securities
  - Arms length relationship between its business of fund management / investment and its other business
- A foreign portfolio investor shall maintain an appropriate level of knowledge and competency and abide by the provisions of the Act, regulations made thereunder and the circulars and guidelines, which may be applicable and relevant to the activities carried on by it. Every foreign portfolio investor shall also comply with award of the Ombudsman and decision of the Board under Securities and Exchange Board of India (Ombudsman) Regulations, 2003
- A foreign portfolio investor shall not make any untrue statement or suppress any material fact in any documents, reports or information to be furnished to the designated depository participant and / or Board
- A foreign portfolio investor shall ensure that good corporate policies and corporate governance are observed by it
- A foreign portfolio investor shall ensure that it does not engage in fraudulent and manipulative transactions in the securities listed in any stock exchange in India
- A foreign portfolio investor 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
- A foreign portfolio investor shall not be a party to or instrumental for
  - creation of false market in securities listed or proposed to be listed in any stock exchange in India
  - price rigging or manipulation of prices of securities listed or proposed to be listed in any stock exchange in India
  - passing of price sensitive information to any person or intermediary in the securities market

4.12. Account Structure for Foreign Investors investing in India

India is a segregated (Beneficial ID) market and hence accounts need to be opened at investor level. Omnibus structures are not permitted.

Investor Category	Depository / Securities account	Cash Account
FPIs	Segregated depository account	Segregated Cash account
FDIs	Segregated depository account	Cash account permitted through escrow route for a maximum period of six months
FVCIs	Segregated depository account	Segregated Cash account

Chapter 5 Comparative Tables

5.1. Comparison with the erstwhile FII model

The table below captures the key differences between the erstwhile FII regime and the newly introduced FPI regime that has replaced the FII regime.

Sr No	Details	FII / sub-accounts	FPI
1	Registration	Required to be registered with SEBI	To be registered with Designated Depository Participants (DDPs)
2	Fees (Registration as well as Renewal)	— USD 5,000 for FII registration and renewal — USD 1,000 for sub account registration and renewal	Fees to be paid as per categorisation every three years Category I: No fees Category II: USD 3,000 Category III: USD 300
3	Conversion fee	Not applicable	One time conversion fee of USD 1,000 to be paid for converting to FPI
4	Need to be a resident in a country where securities market regulator is a signatory to IOSCO's MMoU or a signatory to bilateral MMoU with SEBI	Not applicable for Sub-accounts	Applicable to all
5	Know Your Client (KYC) Norms	Documentation as per the type of entity	Documentation as per the categorisation ranging from Category I: simplified documentation requirement to Category III: detailed documentation requirement
6	Qualified Institutional buyer (QIB) status	QIB status granted to FII / sub–accounts	— QIB status granted to Category I and Category II investors — No QIB status to Category III investors
7	Investment limits	— Foreign corporates under the erstwhile FII regime were permitted to invest only upto 5% of issued capital — All the other categories of investors were permitted to invest upto 10% of issued capital	Investments by all investor categories shall be below 10% of issued capital
8	Investment in unlisted securities	Permitted	Not permitted. However investments in unlisted securities made prior to June 2014 are grandfathered

Sr No	Details	FII / sub–accounts	FPI
9	Issue of Offshore derivative instruments (ODIs)	Permitted only to all FIIs. Sub-accounts were not permitted to issue ODIs	Permitted to Category I and Category II investors. Not permitted to Category III investors as well as investors categorised as Category II by virtue of their investment manager being regulated
10	Margins on Equity trades	Margin required on purchase and sale transactions on T+1 unless early pay-in of cash or securities is made	— Category I and II: margins required on purchase and sale transactions on T+1 unless early pay-in of cash or securities is made — Category III: upfront margins on both purchase and sale transactions on trade date apply to foreign corporate, individuals and family offices. All other Category III FPIs subject to same requirements as Category I and II FPIs
11	Derivative Segment	FII and sub-accounts had different position limits	— FPIs in Category I and II shall have position limits as applicable to FIIs in the derivatives segment — FPIs in Category III shall have position limits similar to the Client level position limit, applicable in the derivatives segment
12	Participation in Exchange traded currency derivative segment	Participation not allowed	Participation allowed

5.2. Effects of Categorisation

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

Sr No	Details	Category I	Category II	Category III
1	Fees (Registration as well as Renewal)	No fees	USD 3,000	USD 300
2	Know Your Client Norms (KYC)	Simplified documentation requirement	Entity level rationalised documentation	Exhaustive documentation requirement at entity level and beneficial owner level
3	Qualified Institutional buyer (QIB) status	QIB status granted	QIB status granted	No QIB status

Sr No	Details	Category I	Category II	Category III
4	Issue of Offshore derivative instruments (ODIs)	Permitted	Permitted However investors categorised as Category II by virtue of their investment manager being regulated not permitted to issue ODI	Not permitted
5	Margins on Equity trades	No margins will apply on Day T. Margins apply on T+1 unless early payin is made	No margins will apply on Day T. Margins apply on T+1 unless early payin is made	In category III, upfront margins on Day T will apply to FPIs who are corporate, individuals and family offices. All other Category III FPIs subject to same requirements as Category I and II FPIs
6	Position Limit on Currency Derivative Segment	FPIs in Category I have a higher position limit: gross open position across all contracts shall not exceed 15% of the total open interest or maximum limit as specified for each currency pair whichever is higher	FPIs in Category II have a higher position limit: gross open position across all contracts shall not exceed 15% of the total open interest or maximum limit as specified for each currency pair whichever is higher	FPIs in Category III have a lesser position limit: gross open position across all contracts shall not exceed 6% of the total open interest or maximum limit as specified for each curreny pair whichever is higher
7	Equity derivatives and Interest Rate Futures	FPIs in Category I shall have position limits as applicable to FIIs in the derivatives segment	FPIs in Category II shall have position limits as applicable to FIIs in the derivatives segment	FPIs in Category III shall have position limits similar to the Client level position limit, applicable in the derivatives segment

5.3. Permitted investments for Foreign Investors

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

Market Segment	Instrument type	FPI	FDI	FVCI
Equity Market	Listed Equity	✓	✓*	No
	Unlisted Equity	No	✓	✓
	Preference Shares	✓	✓	✓
	Warrants	✓	✓	✓
	Partly paid Shares	✓	✓	No
Fixed Income	Dated Government Securities	✓	No	No
	T-Bills	No	No	No
	Commercial Paper	No	No	No
	Certificate of Deposits	No	No	No
	Corporate Bonds - Non Convertible	✓	No	✓*
	Corporate Bonds - Convertible	✓*	✓	✓
	Credit Enhanced Bonds	✓	No	No
Mutual Funds	Units of Mutual Funds	✓**	No	No
	Exchange Traded Funds (ETFs) (excluding gold ETFs)	✓	No	No
Derivative Contracts	Index Futures	✓	No	No
	Index Options	✓	No	No
	Stock Futures	✓	No	No
	Stock Options	✓	No	No
	Interest Rate Futures	✓	No	No
	Currency Derivatives	✓	No	No
Others	Perpetual Debt instruments such as Tier I and Upper Tier II instruments of banks	✓	No	No
	Collective Investment Schemes	✓	No	No
	Asset Reconstruction Companies (ARC)	✓	✓	No
	Security Receipts issued by ARC	✓	No	No
	Securities Lending & Borrowing (SLB)	✓	No	No

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

**Units of short term investment schemes of mutual funds - Liquid / Money market schemes, Fixed Maturity Plan (FMPs) less than three years – are not permitted. Investments in debt mutual funds will be reckoned under the corporate bond limits

Chapter 6 Know-Your-Client (KYC) Framework

The introduction of the Categorisation model facilitated the adoption of SEBI and RBI prescribed risk based KYC, wherein, the documentation requirement will vary according to the Category applicable to the FPI. As can be seen in the table below, the documentation requirement is minimal for applicants in Category I, whereas exhaustive documentation requirement has been specified for Category III. The applicant needs to fill in the standard KYC form issued by SEBI followed by the supporting documents as mentioned in the list below according to the Categories.

Document Requirement	Documentation	Category I	Category II	Category III
Entity Level	Constitutive Docs	Required	Required	Required
	Proof of Address	Required — Power of Attorney, mentioning the address, is acceptable as address proof	Required — Power of Attorney, mentioning the address, is acceptable as address proof	Required — Address proof other than Power of Attorney should be submitted
	PAN Card	Required	Required	Required
	Financials	Exempt*	Exempt*	Risk based — Financial data sufficient.
	SEBI Registration Certificate	Required	Required	Required
	Board Resolution	Exempt*	Required	Required
	KYC Form	Required	Required	Required
Senior Management (Whole Time Directors / Partners / Trustees etc.)	List	Required	Required	Required
	Proof of Identity	Exempt*	Exempt*	Entity declares* on letterhead - full name, nationality and date of birth OR Photo-identity proof
	Proof of Address	Exempt*	Exempt*	Declaration on letter head*
	Photographs	Exempt	Exempt	Exempt*
Authorised Signatories	List & Signatures	Required — List of Global Custodian (GC) signatories can be given in case of POA to GC	Required — List of GC signatories can be given in case of POA to GC	Required
	Proof of Identity	Not required*	Not required*	Required

Document Requirement	Documentation	Category I	Category II	Category III
	Proof of Address	Not required*	Not required*	Declaration / Details on Letterhead required*
	Photographs	Not required	Not required	Required / Exempt* for RBI KYC
Ultimate Beneficial Owner (UBO)	List	Exempt*	Required - or declaration of no UBO holding over 25% in case of multi-investor entities	Required
	Proof of Identity	Exempt*	Exempt*	Required
	Proof of Address	Exempt*	Exempt*	Declaration / Details on Letterhead required*
	Photographs	Exempt	Exempt	Exempt*
Bank letter for Satisfactory banking relationship		Not required	Not required	Required

*Not required while opening the bank account. However, FPIs concerned may submit an undertaking that upon demand by Regulators / Law Enforcement Agencies the relative document/s would be submitted to the bank

SEBI has further segregated investors into two categories as highlighted below for the purposes of KYC

Category	Criteria
New clients	All eligible foreign investors (Foreign Institutional Investors / Qualified Foreign Investors) – deemed Foreign Portfolio Investors (FPIs) – registered with SEBI after September 12, 2013
Existing clients	All eligible foreign investors registered with SEBI up to September 12, 2013

Existing clients
Existing clients will have to comply with KYC requirements at the time of conversion to FPI, or at the time of any change in information such as name change, address change, or appointment of a new intermediary such as broker and provide the necessary documentation.

New clients
New clients will have to comply with the KYC requirements as prescribed by SEBI and their KYC data must be uploaded to the KYC Registration Agency (KRA) system at the time of application as FPI.

Other Aspects

- All updated KYC information must be uploaded on the KRA system by participants
- In case of non-submission of KYC documents, transactions will not be permitted for such investors
- Market intermediaries have been permitted to rely on the following alternate documents in lieu of Board Resolution for KYC purposes
  - Power of Attorney granted to Global Custodian / Local Custodian
  - Prospectus / Information Memorandum / Offer Document / Investment Management Agreement / Regulatory Filings
- Reliance on information available from reliable public sources has been permitted (e.g. websites of Regulators, Exchanges, Self Regulatory Organisations, Registrars) while collecting documents / information required for an Eligible Foreign Investor (EFI) / FPI. However, the copies of such documents must be sent to the EFI / FPI to revert in case of any changes / modifications. Attestation of these documents (by way of mentioning the source of the document and signature against the same) must be carried out by a duly authorised official of the Intermediary
- Copies of all the documents, wherever applicable, to be submitted by the applicant should be self attested and accompanied by originals for verification. In case the original of any document is not produced for verification, then the copies should be properly attested by entities authorised for attesting the documents, as per the SEBI circular no. MIRSD/SE/Cir-21/2011 dated October 5, 2011, as follows
  - Notary Public, Gazetted Officer, Manager of a Scheduled Commercial / Co-operative Bank or Multinational Foreign Banks (Name, Designation and Seal should be affixed on the copy)
  - In case of Non Resident Indians (NRIs), authorised officials of overseas branches of Scheduled Commercial Banks registered in India, Notary Public, Court Magistrate, Judge, Indian Embassy / Consulate General in the country where the client resides are permitted to attest the documents
  - Global Custodian banks

In case the address mentioned in the Power of Attorney is different from the address mentioned in the SEBI Uniform KYC form, an additional Proof of Address needs to be provided. Proof of address can include – utility bills or overseas bank statement dated within the last three months. Power of Attorney is acceptable as Proof of Address only in case of FPIs, FIIs / Sub Accounts. For other category of investors, a utility bill or bank statement dated within three months would be required.

- KYC look back: the KYC details once updated is also subject to a periodic look back process as prescribed by the regulators from time to time
- Account Opening: post the submission of KYC documents and compliance with other applicable procedures, the applicants' cash account and securities as well as depository account will be opened by the DDP. Once the accounts are activated, the investor can commence investing in the capital market

Chapter 7 Investment Guidelines

FPIs are permitted to invest in the following instruments

Equity Market	Fixed Income Market	Derivative Contracts	Other
— Listed Equity Shares — Partly Paid Equity Shares — Preference Shares — Warrants — Units of Mutual Funds	— Dated Government Securities having residual maturity of more than three years — Corporate Bonds and Debentures — Public Sector Undertaking (PSU) Bonds — Credit Enhanced Bonds — Security Receipts	— Index Futures — Index Options — Stock Futures — Stock Options — Interest Rate Futures — Currency Derivatives	— Perpetual Debt instruments such as Tier I and Upper Tier II instruments of banks — Collective Investment Schemes — Indian Depository Receipts — Asset Reconstruction Companies — Securities Lending and Borrowing

Notes

- FPIs are not allowed to invest in Certificates of Deposit, Treasury Bills, Corporate Bonds and Government securities having residual maturity of less than three years, units of liquid mutual funds and money market mutual funds and in the overnight and term money markets
- Effective February 3, 2015, investments in Commercial Papers has been prohibited
- FPIs classified as ‘Long Term Investors’ (SWFs, Central Banks, Pension Funds etc) are permitted to invest in Government securities having residual maturity of one year and above
- Investments in unlisted securities are not permitted except for debt instrument issued by companies engaged in the infrastructure sector

7.1. Equity

7.1.1 Foreign Ownership Limit

The following foreign ownership limits exist for investment by FPIs in the shares of companies listed on any stock exchange in India

- Each FPI (investing on its own) holding in equity shares should always be below 10% of the paid-up capital of a company. The 10% investment limits will be applicable across investments of ADR / GDR, FDI, FPI, FVCI, in addition to Participatory Notes / ODI where the beneficial owner is common. However in case of ADR / GDR, if the investor holding the ADR / GDR has converted them into underlying equity shares, such converted shares only will be taken into account for computation of 10% investment limits
- The Depositories will monitor holdings of FPIs at an entity level. Where multiple FPIs belong to the same investor group, the investment limits of all such FPIs shall be clubbed at the investment limit as applicable to a single FPI. This shall be the responsibility of the depositories. The DDP shall report the details of investor group(s) to the depositories
- The maximum permissible investment in the shares of a company, jointly by all FPIs together is 24% of the paid-up capital of that company
- This limit of 24% can be raised up to the FDI limits specified for that particular sector, subject to approval from the shareholders and the RBI
- In the case of public sector banks, the foreign ownership limit is 20%

7.1.2 Monitoring of investment limits

- The RBI will monitor FPI investments under Portfolio Investment Scheme (PIS) only at 24% or at the applicable sectoral cap / statutory ceiling only. A company, which has fixed an intermediate foreign ownership ceiling (i.e. between 24% and the overall FDI cap for that sector), have been delegated the responsibility of ensuring that the intermediate ceiling is not breached by an FPI
- It is mandatory for all foreign investors (FPIs / NRIs) to declare their holdings to the RBI. The local agent bank is responsible for reporting the details of foreign investments to the RBI daily
- This reporting ensures that the RBI monitors the investment limits by foreign entities in the Indian companies
- If a company reaches the caution limits specified above, the FPI wanting to buy these stocks should inform DDP who in turn will approach the RBI for seeking permission to buy these shares
- Approval for investments in stocks which have reached the trigger limits is given by RBI on a case to case basis and the FPI is expected to purchase the shares within three days of receipt of the RBI approval beyond which the approval stands cancelled
- Only inter-FPI trades can be entered into if the overall ownership limit is reached. Such trades need to be reported separately to the RBI
- Clubbing of limits: Investor Group
  - The investment limits of all FPIs belonging to the same investor group needs to be below 10% of the issued capital of the investee company at all times. The depositories shall club the investment limits and ensure that combined holdings of all these FPIs does not exceed 10% of the issued capital of the investee company at any time
  - For the purpose of ascertaining investor group, the concerned DDPs shall consider all such entities having direct or indirect common shareholding/ beneficial ownership/ beneficial interest of more than 50%, as belonging to same investor group. The DDP shall report the details of investor group(s) to the depositories
  - FPIs shall provide details of all entities having direct or indirect common shareholding / beneficial ownership / beneficial interest, of more than 50%, as a part of their group, for submitting this data. The common beneficiary owner(s) shall be identified on the basis of (a) shareholding, (b) voting rights (c) any other forms of control, in excess of 50%, across FPIs, if any
  - In case the same set of ultimate beneficial owner(s) invest through multiple entities, such entities shall be treated as part of same investor group and the investment limits of all such entities shall be clubbed at the investment limit as applicable to a single portfolio investor
- Tracking of the limits by depository: transactions undertaken by FPIs will be reported to the regulator as well as to the depositories on a daily basis in the form and manner as prescribed from time to time. The depositories shall club the investment limits of FPIs belonging to same investor group to ensure that combined holdings of all FPIs belonging to the same investor group remains below 10% of the issued capital of the investee company at any time

7.2. Debt Investments

FPIs are permitted to invest in the debt market only within the permissible limits. Currently, the limit allocated to FPIs stands at USD 81 billion of which USD 51 billion is allocated for investment in corporate debt and the remaining amount allocated for investment in government securities.

The table below summarises the current investment limits and the bifurcation within the overall investment limits

7.2.1 Investment Limits

FPIs are permitted to invest in the debt market only within the below permitted limits

Total Foreign Debt Investment Cap USD 81 billion

Dated Government Securities USD 30 billion

Open limit for select categories of FPIs USD 5 billion

- Available only to FPIs that are
  - Sovereign Wealth Funds (SWFs)
  - Multilateral Agencies
  - Endowment Funds
  - Insurance Funds
  - Pension Funds
  - Foreign Central Banks
- Residual maturity of one year and above
- Coupon earned can be re-invested

FPIs / deemed FPIs USD 25 billion

- Free limit till 90% of the available limits is used
- Available limits to be disclosed by the depositories on their website on a daily basis
- Residual maturity of three year and above
- Coupon earned can be re-invested

Corporate Debt USD 51 billion

Sub-limit of USD 5 billion on investment in Credit enhanced bonds

- Free limit till 90% of the available limits is used
- No lock-in restrictions
- Available limits to be disclosed by the depositories on their website on a daily basis
- Residual maturity of three year and above

At the time of going to press

The Fourth bi-monthly monetary policy statement for the year 2015-16 was announced by RBI on September 29, 2015. The limits for FPI investment have been reset in INR terms.

Revised foreign investment limits

<table>
<tr><th rowspan="2">Details</th><th rowspan="2">Existing limits</th><th colspan="3">Revised limits</th></tr>
<tr><th>Overall Cap</th><th>Incremental limits available for utilisation from October 12, 2015</th><th>Incremental limits available for utilisation from January 1, 2016</th></tr>
<tr><td>Designated currency</td><td>Existing limits are designated in USD terms</td><td colspan="3">Limits to be designated in INR terms</td></tr>
<tr><td>G-sec limits for all FPIs</td><td>USD 25 billion</td><td rowspan="2">— Limits to be increased in a phased manner to 5% of the outstanding stock by March 2018 (Additional headroom of INR 1200 billion to be available by March 2018)
— Incremental limits to be announced every half year for utilisation every quarter</td><td>— First tranche of INR 55 billion</td><td>— Additional incremental limit of INR 55 billion</td></tr>
<tr><td>G-sec limits for Long term FPI investor</td><td>USD 5 billion</td><td>— First tranche of INR 75 billion</td><td>— Additional incremental tranche of INR 75 billion</td></tr>
<tr><td>Separate limits for investment in State Development Loans (SDLs)</td><td>No separate limit currently available</td><td>— Limits to be increased to 2% of outstanding stock by March 2018 (Headroom of INR 500 billion to be available by March 2018)</td><td>— First tranche of INR 35 billion</td><td>— Additional incremental tranche of INR 35 billion</td></tr>
<tr><td>Corporate Bonds limits</td><td>USD 51 billion</td><td colspan="3">Limits to be designated in INR terms</td></tr>
</table>

— Detailed guidelines for implementing the above process to be issued separately

Introduction of Security wise limits:

- A security-wise limit of 20% of the amount outstanding under each Central Government security has been introduced
- The Central Government securities in which the aggregate FPI investment is more than 20% of the amount outstanding would be placed in a negative list and fresh investments in these securities would not be permitted
- Existing investments in the Central Government securities where aggregate FPI investment is over 20% may continue. However, fresh purchases by FPIs in these securities shall not be permitted till the corresponding security-wise investments fall below 20%
- This negative list as well as the aggregate security-wise holdings by FPIs at the end of every day will be made available by the depositories (NSDL and CDSL) on their websites
- The security-wise limit shall be effective from October 12, 2015

7.2.2 Debt Limit auctions

Foreign investors are allowed to invest in corporate debt and government debt without purchasing debt limits till the overall investment reaches 90%, after which the auction mechanism would be initiated for allocation of the remaining limits. Upon breach of the 90% trigger limit, limits are to be allocated via bidding on stock exchanges.

In order to ensure that the threshold limit of 90% of the allocated investment limit is not breached, SEBI has re-iterated the following:

- If the limit utilisation as displayed on the depository website is below 90%, the FPIs are required to ensure that no trade is executed / agreed which may potentially breach the 90% limit
- The custodian has to ensure that any trade executed either by a single FPI or multiple FPIs serviced by it are confirmed only to the extent that the limit of 90% is not breached. Accordingly, custodians will not be confirming trades in Government Debt and Corporate Bonds on behalf of the FPIs if it is likely to breach the threshold limit
  - In case of receipt of multiple buy trade instructions potentially breaching the 90% threshold limit, custodian shall prioritise the confirmation based on trade settlement instructions received from their FPI clients or global custodian, on a First in First Out (FIFO) basis
  - Only buy deals will be considered for the limit monitoring process described above

SEBI has issued the following norms to govern the bidding sessions on stock exchanges, for securing limits for investment in Government and Corporate Debt, upon breach of the 90% trigger limit.

- The Depositories – National Securities and Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL), shall direct the Designated Depositary Participants (DDPs) to halt all FPI purchases in debt securities in the respective category where the 90% trigger limit is breached
- The Depositories shall also inform stock exchanges regarding the unutilised debt limits for conducting the auction. Upon receipt of information from the depositories, the stock exchanges shall conduct an auction for the allocation of unutilised debt limits on the following working day
- Auctions are held alternately on the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE)
- The auction would be held only if the free limit is greater than or equal to INR 1 billion
- The auction mechanism shall be discontinued and the limits shall once again be available for investment on tap when the debt limit utilisation falls below 85%

Auction mechanism

Particulars	Details
Duration of bidding	2 hours (15.30pm to 17.30pm)
Access to Platform	Trading Members
Minimum bid	INR 10 million
Maximum bid	One-tenth of free limit being auctioned
Tick Size	INR 10 million
Allocation Methodology	Price time priority
Pricing of bid	Minimum flat fee of INR 1,000 or bid price whichever is higher
Time period for utilisation of limits	15 days from the date of allocation
Auction Platform	Alternately on NSE and BSE

- Utilisation Period: time period for investing in debt securities using the allotted limits will be 15 days. Limits not utilised within 15 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 five working days. If reinvestment is not made within five working days, then the limits will be clubbed in the pool of free limits
- Subsequent Auctions: subsequent auctions would be held 20 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 debt limit utilisation continues to be above 85%
- No Investment Restrictions: in order to provide operational flexibility to FPIs, it is clarified that there would be no other re-investment restrictions

The status of utilisation of debt limits as well as the monitoring of investments by FPIs is done by the depositories.

Details of FPI debt utilisation can be accessed on a daily basis on the depository's website
- National Securities Depository Limited (NSDL):
  https://www.fpi.nsdl.co.in/web/Reports/ReportDetail.aspx?RepID=1

- Central Depository Securities (India) Limited:
  http://www.cdslindia.com/ under 'publications'

Custodians shall provide necessary data to depositories on a daily basis for this purpose. The positions published on the website is the End of Day position as of that date.

Re-investment of Government Securities bought on tap

FPIs have been permitted to re-invest Government securities that were bought when the limits were available on tap, subject to the following norms:
- FPIs shall be permitted to buy government securities on same day upon any sale / redemption or maturity of existing government security bought when the limits were available on tap

As per the erstwhile norms re-investment facility was available to FPIs only upon the sale / maturity of a security which was originally bought against limits allocated via the auction mechanism. Sale of other Government securities held by the investor was not eligible for the benefit of re-investment.
- This facility shall be available to FPIs under the sub-limit of USD 25 billion as well as under the sub-limit of USD 5 billion
- The buy transaction shall be executed only after the confirmation / settlement of sell transactions. The value of buy transaction should not exceed the value of sell transaction

— The benefit of buy transactions will be available only to the same FPI having a confirmed / settled sale transaction executed on the same day
— In case of FPIs registered under the Multiple Investment Managers (MIMs) structure, the benefit of re-investment on the same day can utilised by the other FPI registered under the same MIM structure

As per the current existing norms, FPIs are permitted to report their buy deals upto 1.00pm on T+1 day. However, if the FPI intends to utilise the benefit of re-investment of proceeds available from sale of government securities that were bought on tap, the reporting of such deals needs to be done to the custodian on T day itself.

Re-investment of coupons in Government Securities

— FPIs have been permitted to reinvest the coupons earned on their existing investments in Government Securities, even when the limits are fully utilised. FPIs will have an investment period of five working days from the date of receipt of the coupon
— These investments by FPIs in Government Securities shall be kept outside the applicable limit of USD 30 billion
— Any proceeds arising out of sale / redemption of Government Securities acquired in this manner from coupon receipts, shall be eligible for a re-investment period of five working days
— Further coupons earned on government securities acquired in this manner shall also have the same facility
— All the other existing conditions for investments by FPIs in Government Securities will remain unchanged for this additional facility as well
— The coupons invested in purchasing Government securities shall be classified into a separate investment category which is over and above the USD 30 billion Government debt limit
— The depositories shall be responsible for disseminating the coupon investment data along with the daily debt utilisation data on the basis of daily transactions reported by the custodians of the FPIs

Investment Norms

— Trades in securitised debt and in corporate bonds between specified entities (including FIIs / sub-accounts / FPIs), settle through the NSCCL or the ICCL on a DVP1 basis
— Investments by FPIs restricted to only listed corporate debt securities. However, FPIs can invest in primary issues of NCDs / bonds, provided listing is committed to be done within 15 days of investment, else the instrument must be divested
— SEBI and RBI have permitted FPIs to invest in listed and unlisted bonds issued by companies in the infrastructure sector, where ‘infrastructure’ is defined in terms of the extant ECB guidelines
— In case the NCDs / bonds are not listed within 15 days of issuance to FPIs, the FPI shall immediately dispose off the instruments, either by way of sale to a third party or to the issuer. Further, the terms of offer to FPIs should contain a clause that the issuer shall immediately redeem / buyback the securities from the FPIs
— FPIs are not permitted to make any further investments in debt instruments having an optionality clause exercisable in less than three years, even if the initial/residual maturity of the instrument is three years or more
— FPIs are permitted to invest in amortised debt instruments provided the duration of the instrument is three years and above

7.3. Other Permitted Instruments

Investment in Credit Enhanced bonds

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

Guidelines for investment in credit enhanced bonds

- FIIs / FPIs are allowed to freely invest in credit enhanced bonds until the aggregate investments reaches 90% of USD 5 billion i.e. USD 4.5 billion
- The Custodian-DDP shall provide transaction details on a daily basis, to their respective depositories (National Securities Depository Limited-NSDL and Central Depository Services Limited- CDSL) on the same day i.e. the day on which the transaction is carried out, before the time stipulated by the depositories
- The depositories shall jointly publish the aggregate investment of FIIs / FPIs in credit enhanced bonds, on a daily basis
- When the aggregate investments of all the FIIs / FPIs reaches 90% of the investment limit, the same shall be published by the depositories on their websites as well as informed to the Custodians and stock exchanges. No fresh purchases shall be allowed without prior approval of the depositories
- Additional purchases shall be allowed only post receipt of approval from the depositories
- The FII / FPI shall request for prior approval to the concerned depository through the Custodians specifying therein the name of the FII, PAN and other unique identification number relating to that FII / FPIs
- The concerned depository shall provide the details of prior approval request received by it to the other depository
- Approval shall be provided by the depository, post market hours on a first-come-first-served basis in co-ordination with the other depository, based on time of receipt of the prior approval requests by the depositories. The validity of the approval shall be for the next two trading days
- In case the aggregate holding of the FII / FPI exceeds overall investment limit, the depositories shall jointly notify the respective Custodians-DDPs regarding the breach along with the names of the FIIs / FPIs due to whom the limits have been breached
- In case the aggregate holding of the FIIs / FPIs exceeds overall investment limit for whatsoever reason, the FII / FPI due to whom the limit is breached shall mandatorily divest excess holdings within seven working days of such breach being notified by depositories to the Depository Participant (DP)
- The depositories shall also inform the Custodians and stock exchanges when aggregate investments of all the FIIs / FPIs fall below 90% of the investment limits
- The Custodians-DDPs shall obtain necessary authorisation from the FII / FPIs at the time of account opening for divestment of such excess holdings

7.4. General Investment Restriction

- Total FPI portfolio investment in a company is capped at 24% or the FDI limit specified for the particular sector
- Cash accounts maintained by FPIs are non-interest bearing
- All secondary market operations can be done only at the prevailing prices through the recognised brokers on the stock exchanges except for government securities which can be bought directly from the secondary market without the involvement of a broker
- Prevailing regulations do not permit FPIs to avail overdraft facilities. FPIs have to fund their account or maintain adequate cash balances to meet payment obligations to the exchanges or other counterparties
- Derivatives trading by FPIs are subject to the position limits specified for FPIs
- Securities lending and borrowing transactions will be subject to limits
- Existing investments in unlisted companies purchased under the erstwhile FII route and still held by FPI after an Initial Public Offer (IPO) / listing of the issuer company will be subject to a lock-in for the same period as applicable to a FDI holding such shares, under the existing FDI policy of the Government
- FPIs are not allowed to engage in naked short selling. FPIs may short sell equity shares, provided they have borrowed securities under the SEBI Securities Lending & Borrowing scheme and deliver the shares to the clearing corporation on settlement date. Further, FPIs are permitted to borrow securities only for delivery into short sales

- Free of Payment Asset Transfer / Cash Transfer is not allowed in India without approval from SEBI / RBI respectively. As per experience, such request is approved only in case of Same Beneficial Owner (MIM Structures)
- Each FPI is allowed to open only one cash, securities and depository account with a single custodian (Multiple accounts are not allowed)

7.5. Derivatives

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

Investment Position limits in Equity Derivatives

- FPIs in Category I and II shall have position limits as applicable to trading member in the derivatives segment
- FPIs in Category III shall have position limits similar to the Client level position limit, applicable in the derivatives segment

	Index options	Index futures	Stock options & futures
FII / FPI Level	INR 5 billion or 15% of the total open interest of the market in index options, whichever is higher. This limit is applicable on open positions in all options contracts on a particular underlying index.	INR 5 billion or 15% of the total open interest of the market in index futures, whichever is higher. This limit is applicable on open positions in all futures contracts on a particular underlying index.	For Market-wide position limit (MWPL) of INR 5 billion or more, 20% of Market Wide Limit or INR 3 billion, whichever is lower and within which, stock futures position cannot exceed 10% of applicable MWPL subject to INR 1.5 billion ceiling whichever is lower. MWPL less than INR 5 billion, the combined futures and options position limit is 20% of Market Wide Limit, futures position cannot exceed 20% of applicable MWPL subject to INR 0.5 billion ceiling whichever is lower.

Client Level Position Limits

The gross open position for each client, across all the derivative contracts on an underlying, should not exceed:

- 1% of the free float market capitalisation (in terms of number of shares), or
- 5% of the open interest in all derivative contracts in the same underlying stock (in terms of number of shares), whichever is lower

Client level position limits underlying-wise, are available to members on the Exchange website.

7.5.1 Interest Rate Futures (IRFs)

FPIs can also invest in Exchange traded cash settled Interest Rate Futures. Currently IRFs are available on the following:

- 91 day Treasury Bills (FPIs cannot invest in this as investment is treasury bills is prohibited for FPIs)
- 6 year Government of India security
- 10 year Government of India security
- 13 year Government of India security

Position Limits for IRF contracts (Government of India security)

- Client / Category III FPI: the gross open positions of the client across all contracts shall not exceed 3% of the total open interest or INR 2 billion, whichever is higher
- Trading Member / Category I and II FPI: the gross open positions of the trading member across all contracts shall not exceed 10% of the total open interest or INR 6 billion, whichever is higher
- Additional restriction for FPIs: the total gross short (sold) position of each FPI in IRF shall not exceed its long position in the government securities and in Interest Rate Futures, at any point in time. The total gross long (bought) position in cash and IRF markets taken together for all FPIs shall not exceed the aggregate permissible limit for investment in government securities for FPIs

FPIs are required to ensure compliance with the above limits.

7.5.2 Currency Derivatives

Effective June 27, 2014, FPIs have been permitted to participate in the Currency derivative segment of the exchanges (refer Chapter 9 for details).

7.6. Securities Lending & Borrowing

SEBI and RBI have permitted onshore short selling and Securities Lending & Borrowing (SLB). FPIs are re-eligibile to lend and borrow securities through SLB mechanism offered by the exchanges as well as permitted to short sell securities against borrowed positions.

SLB mechanism in India is fully exchange-driven, and OTC model is not permitted.

SEBI has mandated that all SLB transactions have to be routed through the clearing corporation of the stock exchanges. Consequently, only the National Securities Clearing Corporation Limited (NSCCL) and the Indian Clearing Corporation of India (ICCL), the clearing corporations, are eligible to become Approved Intermediaries (AI) for SLB transactions. The borrowers and lenders do not have direct access to trade on the SLB platform of the AIs and must therefore execute trades through existing NSE and BSE clearing members (including banks and custodians) who become SLB participants. The clearing and settlement of SLB trades by investors will be through the designated custodian of the institutional investors.

Some salient features of SLB

- Automated trading on AI provided online platforms
- AIs act as counterparty to every trade
- 12 Monthly contracts available with expiry first Thursday of every month
- Available on all derivative stocks plus few additional scrips
- Recall and Repay facility available
- Corporate actions are adjusted to ensure lender receives all benefits. In event of corporate actions other than dividends and stock splits, foreclosure is executed by clearing house
- Short selling is the sale of a security that the seller does not own. Naked short selling is prohibited. Accordingly, all investors would be required to mandatorily honour their obligation of delivering the securities at the time of settlement
- Short selling will only be permitted in securities on which derivative products are offered. However, short selling will not be permitted for equity shares which are in RBI's foreign ownership ban list and / or caution list
- FPIs may purchase shares of companies which are on the foreign ownership ban list / caution list, without prior RBI approval, for the purpose of meeting Securities Lending & Borrowing (SLB) repayment obligations, provided the purchase is to the extent of meeting SLB repayment obligations and the company whose shares are being purchased, was not under foreign ownership restrictions (caution or ban) at the time of executing the SLB trade
- All transactions would be grossed for institutional investors at the custodians' level and the institutions would be required to fulfill their obligations on a gross basis. Day trading i.e., intraday square-off of transactions is not permitted

- A screen-based, exchange-traded system, where the exchange's clearing corporation collects the collateral and acts as a central counterparty, has been implemented for SLB. Therefore, unlike other markets, Over-the-Counter (OTC) SLB transactions are not permitted
- Borrowing of equity shares by FPIs shall only be for the purpose of delivery into short sale
- SLB contracts have been permitted to have tenure up to a maximum period of 12 months. The approved intermediary, viz. Clearing Corporation / Clearing House shall have the flexibility to decide the tenure of the contract, subject to the maximum period of 12 months
- The margin / collateral shall be maintained by FPIs only in the form of cash. No interest shall be paid to the FPI on such margin / collateral
- Institutional investors are required to disclose their intention to short sell upfront before placement of short sale order. Brokers will be required to collect and collate scrip-wise details on short sales and upload it to the stock exchanges before the commencement of trading on the following day

The National Stock Exchange (NSE) permits rollover in Securities Lending & Borrowing Scheme (SLBS) to facilitate lenders or borrowers who wish to extend an existing lend or borrow position, to roll-over such position.
Key highlights are as follows:

- Rollover shall be allowed for a period of three months (original contract plus two rollover contracts)
- The last trading day of rollover contracts shall be the fourth working day prior to expiry of respective near month series, excluding settlement holidays
- In case of corporate actions in a security resulting in foreclosure, no rollover shall be allowed from or to the series getting foreclosed, of the security

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

The Bombay Stock Exchange (BSE) has also introduced the rollover feature in the Securities Lending & Borrowing Segment.

Deutsche Bank Investor Services (custody team) is a registered participant with NSCCL and ICCL which allow us to offer execution services in the SLB segment. Our lend product offering in SLB segment is called 'SLB Plus' where we offer 'spot the opportunity and execution' services for our clients in addition to clearing and settlement of SLB transactions.

Position limit

The following position limits will be applicable to SLB transactions

Level	Position limit	Source of Information
Market-wide limit	10% of the free-float capital of the company in terms of number of shares	Market-wide limit will be announced by the NSCCL / ICCL on a month end basis
Clearing Member / Participant	Open position restricted to 10% of the market-wide position limits or INR 500 million (base value), whichever is lower	To be computed by the clearing member / participant
FIIs / FPIs	Open position restricted to 10% of the market-wide position limits or INR 500 million (base value), whichever is lower	This limit is applicable at the FPI level

7.7. Reporting requirements

Substantial acquisition of shares of voting rights

- The trigger limit for acquirers to make an open offer of shares under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations is 25% of the shares or voting capital in a company
- An acquirer, holding 25% or more of the shares or voting rights in a company, can make acquisitions of up to 5% per financial year, without triggering the requirement of making an open offer. This is provided the acquisition does not result in the acquirer breaching any maximum permissible non-public shareholding
- Acquisition of control: irrespective of acquisition or holding of shares or voting rights in a target company, no acquirer shall acquire, directly or indirectly, control over such target company unless the acquirer makes a public announcement of an open offer for acquiring shares of the target company, in accordance with these regulations

Offer Size

- The minimum amount of shares to be sought in an open offer by an acquirer is 26% of the shares of voting capital in a company
- The open offer for acquiring shares to be made by the acquirer shall be for at least 26% of total shares of the target company, as of tenth working day from the closure of the tendering period. Tendering period is the period within which shareholder can tender shares in acceptance of an open offer

Reporting under SEBI (SAST) Regulations 2011

- Under the SEBI (SAST) Regulations 2011 any acquirer who acquires shares or voting rights in a target company which taken together with shares or voting rights, if any, held by him and by persons acting in concert with him in such target company aggregating to 5% or more of the shares of such target company, shall disclose their aggregate shareholding and voting rights within two working days of the receipt of intimation of allotment of shares, or the acquisition of shares or voting rights to-
  - every stock exchange where the shares of the target company are listed; and
  - the target company at its registered office
- Any acquirer who together with persons acting in concert with him, holds shares or voting rights in a target company aggregating to 5% or more, shall disclose every acquisition or disposal of shares of the target company of 2% or more of the shares or voting rights, within two working days of the receipt of intimation of allotment of shares, or the acquisition of shares or voting rights in the target company to-
  - every stock exchange where the shares of the target company are listed; and
  - the target company at its registered office
- Shares taken by way of encumbrance shall be treated as an acquisition and shares given upon release of encumbrance shall be treated as a disposal
- Continual Disclosure: every entity that holds shares or voting rights entitling them to exercise 25% or more of the voting rights in a target company, shall disclose their aggregate shareholding and voting rights as of the March 31, in such target company within seven working days from the end of each financial year to-
  - every stock exchange where the shares of the target company are listed; and
  - the target company at its registered office

SEBI (Prohibition of Insider Trading) Regulations, 2015

SEBI has notified the SEBI (Prohibition of Insider Trading) Regulations, 2015, on January 15, 2015 which replaces SEBI (Prohibition of Insider Trading), Regulations, 1992. The new regulations are effective from 120th day from the date of its publication in the official gazette i.e. January 15, 2015

Key highlights of the approved regulations

- Generally Available Information has been defined as information that is accessible to the public on a non-discriminatory basis. Accordingly, it is intended that anyone in possession of or having access to unpublished price sensitive information should be considered an 'insider' regardless of how one came in possession of or had access to such information.
- Unpublished Price Sensitive Information (UPSI) has been defined as information not generally available and which may impact the price. The definition of UPSI has been strengthened by providing a test to identify price sensitive information, aligning it with listing agreement and providing platform of disclosure. Earlier, the definition of price sensitive information had reference to company only; now it has reference to both, a company and securities.
- The definition of Insider has been widened by including persons connected on the basis of being in any contractual, fiduciary or employment relationship that allows such person access to UPSI. Insider will also include a person who is in possession or has access to UPSI. Now, immediate relatives will be presumed to be connected persons, with a right to rebut the presumption
- The term 'immediate relative' would cover close relatives who are either financially dependent or consult an insider in connection with trading in securities
- Considering every investor's interest in securities market, advance disclosure of unpublished price sensitive information at least two days prior to trading has been made mandatory in case of permitted communication of unpublished price sensitive information
- Clear prohibition on communication of unpublished price sensitive information (UPSI) has been provided except for legitimate purposes, performance of duties or discharge of legal obligations
- Key Managerial Personnel (KMPs), Promoter and Director of every company whose securities are list on recognised stock exchange shall disclose their holding within 30 days of these regulations taking effect
- Disclosures of trading in securities shall also include trading in derivatives of securities and the traded value of the derivatives shall be taken into account
- Mandatory disclosure of UPSI in public domain before trading, so as to rule out asymmetry of information in the market, as prevalent in other jurisdictions
- To facilitate legitimate business transactions, unpublished price sensitive information can be communicated with safeguards
- An insider shall be entitled to formulate a trading plan and present it to the compliance officer for approval and public disclosure pursuant to which trades may be carried out on his behalf within the prescribed guidelines
- Principle based Code of Fair Disclosure and Code of Conduct has been prescribed
- In given cases, certain circumstances which can be demonstrated by an insider to prove his innocence have been provided

The actual regulations can be accessed by visiting this link:
http://www.sebi.gov.in/cms/sebi_data/attachdocs/1421319519608.pdf

7.8. Offshore Derivative Instruments - ODIs

Issuance of Offshore Derivative Instruments (ODI) / Participatory Notes (P-Notes)

SEBI has prescribed the following guidelines for issuance of participatory notes by FPIs. FPIs registered as Category I and Category II are permitted to issue ODIs / P-Notes.

Issuance to regulated entities

Effective November 24, 2014 the eligibility norms for issuance of ODIs has been aligned with the eligibility norms applicable to FPIs and accordingly:

- A Foreign Portfolio Investor (FPI) shall issue ODIs only to those subscribers which meet the eligibility criteria as specified in Regulation 4 of the SEBI (Foreign Portfolio Investor) Regulations, 2014. As per the regulation, FPI applicant shall not be granted registration unless it satisfies the below condition

  - The applicant is resident of a country whose securities market regulator is a signatory to International Organisation of Securities Commission's Multilateral Memorandum of Understanding (IOSCO) or a signatory to bilateral Memorandum of Understanding (MoU) with the Board
  - The applicant being a bank, is a resident of a country whose central bank is a member of Bank for International Settlements (BIS)
  - The applicant is not resident in a country identified in the public statement of Financial Action Task Force as:
    - a jurisdiction having a strategic Anti-Money Laundering or Combating the Financing of Terrorism deficiencies to which counter measures apply
    - a jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with the Financial Action Task Force to address the deficiencies
- The FPI shall not issue ODIs to subscribers having opaque structures as defined under the FPI regulations 2014
- The investment restriction of investments in a particular underlying Indian company being below 10% of the total issued capital of the company as applicable under regulation 21(7) of the FPI regulation shall be applicable to ODI subscribers also. Accordingly it is clarified that:
  - Two or more ODI subscribers having common Beneficial Owner (BO) shall be considered together as a single ODI subscriber, in the same manner as is being done in the case of FPIs
  - The investments held as FPI and position held as ODI subscriber in the underlying Indian company will be clubbed together for monitoring the investment limit of below 10% of the total issued capital of the company
- All the existing ODI positions which are not in accordance with the revised requirements are permitted to continue till the expiry of the ODI contract. No additional issuances / renewal / rollover of such positions shall be permitted to subscribers
- FPIs are required to have necessary systems in place to ensure compliance with the revised requirements for issuing ODIs
- Fresh issuance of ODIs shall be made only to the eligible subscribers subject to the compliance with the revised norms as well as with SEBI (Foreign Portfolio Investors) Regulations, 2014 and other applicable norms

Note - any person regulated by an appropriate foreign regulatory authority means and includes the following:
- any person that is regulated / supervised and licensed / registered by a foreign central bank;
- any person that is registered and regulated by a securities or futures regulator in any foreign country or state

Unregulated Broad based funds: are classified under Category II on account of their appropriately regulated investment manager itself registered as Category II FPI, cannot issue, subscribe or deal in offshore derivative instruments either directly or indirectly

KYC Compliance: ODIs must be issued after full compliance with KYC norms

FPIs shall also ensure that further issuance or transfer of any offshore derivative instruments on its own behalf should be only to persons regulated by an appropriate regulatory authority

Reporting of Issuance of Participatory Notes by FPIs

FPIs issuing ODIs / Participatory Notes (PNs) shall file the transaction details (Annexure A, B and C) along with the monthly summary report by the tenth of every month for previous month's ODI transactions
- The FPI issuing the ODI will be required to submit the reports as prescribed by SEBI. In case an ODI issuer (A) issues an ODI to another FPI (B) that further issues the ODI, then the ODI reporting for (A) would be limited to naming (B) as the subscriber, on the basis that (B) in its capacity as FPI is providing a monthly ODI report to SEBI, the reporting from (B) would meet SEBI's requirements and avoid duplication of reporting

— Under the applicable norms, FPIs shall commence reporting to SEBI in the format prescribed, only from the month they start issuing ODIs. Accordingly, quarterly 'Nil' reporting is being done away with

Manner of submission

The above-mentioned reports shall be submitted in a password secured excel format. The e-mail should be sent only by the compliance officer of the respective FPI to the dedicated e-mail ID: odireporting@sebi.gov.in with the subject line 'ODI / PN Report of [FPI Name and Registration No.] for the month of […]'. The password should be sent in a subsequent email.

Chapter 8 Bank Account and Remittance Guidelines

The Foreign Exchange Management Act allows an FPI to open a special non-resident rupee account and also maintain foreign currency denominated account in permitted currencies. Deutsche Bank as a designated Authorised Dealer (AD) bank maintains cash accounts denominated in INR as well as foreign currency accounts based on client instructions. The approval granted by the RBI enables the registered FPI to do the following:

- Appoint a DDP for custody of investments held
- Open a special non-resident rupee account to which all receipts from capital inflows, sale proceeds of shares, dividends and interests can be credited with a DDP
- Such credits are allowed, subject to the condition that the AD Category I bank obtains confirmation from the investee company / FII / FPI concerned that tax at source, wherever necessary, has been deducted from the gross amount of dividend / interest payable / approved income to the share / debenture / Government securities holder at the applicable rate, in accordance with the Income Tax Act
- Buy, sell and realise capital gains on investments made through the initial funds brought to India
- Transfer sums from the foreign currency accounts to the rupee accounts and vice versa, at the market rates of exchange
- Transfer after-tax repatriable proceeds from the rupee account to the foreign currency account(s)
- Repatriate the capital, capital gains, dividends, income received towards sale subject to deduction of applicable taxes. The net proceeds will be remitted at the market rates of exchange
- Payment of margins to stock exchanges. Margins are levied by stock exchanges for trading in Indian securities
- Effect remittances (inward as well as outward) through any Authorised Dealer Bank apart from its designated custodian AD Bank

Chapter 9 Currency Hedging

FPIs are allowed to hedge the market value of their entire investment in equity and / or debt in India as on a particular date by way of:
— Forward Cover
— Participation in the Currency Derivative segment of the Exchange

9.1. Forward Cover

RBI has permitted Authorised Dealer (AD) Category I banks to offer forward cover facilities to Foreign Portfolios Investors (FPIs), as per the following norms:
— Forward contracts are only permitted for sale trades
— FPIs are allowed to hedge the market value of their entire investment in equity and / or debt in India as on a particular date
— If a hedge becomes naked in part or full owing to shrinking of the portfolio, for reasons other than sale of securities, the hedge may be allowed to continue to the original maturity, if so desired
— RBI has allowed AD Banks to permit FPIs to rebook cancelled forward contracts upto 10% of the value of the contracts cancelled
— Forward contracts booked by FPIs can be rolled over on or before maturity
— The cost of hedge must be met out of repatriable funds and / or inward remittance through normal banking channel
— All outward remittances incidental to the hedge are net of applicable taxes
— The eligibility for cover may be determined on the basis of the declaration of the FPI. AD Category I banks to undertake periodic reviews at least at quarterly intervals on the basis of market price movements, fresh inflows, amounts repatriated and other relevant parameters to ensure that the forward cover outstanding is supported by an underlying exposure
— There is no limit on the tenor of a forward contract for equities. The tenor of a forward contract on debt is restricted to the maturity of the underlying debt instruments

AD banks other than the FPIs designated AD bank can also offer forward cover facilities subject to the following conditions.
— The eligibility cover to be determined on the basis of:
  — a valuation certificate to be provided by the designated AD Category I bank and
  — a declaration by the FPI stating that its global outstanding hedges plus the derivatives contracts cancelled across all AD Category banks is within the market value of its investments
— The FPI to provide a quarterly declaration to the custodian bank (who is also the designated AD Category I bank for FPIs) that the total amount of derivatives contract booked across AD Category banks are within the market value of its investments. The hedges booked with AD banks other than designated AD banks have to be settled through the Special Non-Resident Rupee A/c maintained with the designated bank through Real Time Gross Settlement (RTGS) / National Electronic Funds Transfer (NEFT) system
— If an FPI wishes to enter into a hedge contract for the exposure relating to that part of the securities held by it against which it has issued any Participatory Note (PN) / Offshore Derivative Instrument (ODI), it must have a mandate from the PN / ODI holder for the purpose. Further, while AD Category bank is expected to verify such mandates, in cases where this is rendered difficult, they may obtain a declaration from the FPI regarding the nature / structure of the PN / ODI establishing the need for a hedge operation and that such operations are being undertaken against specific mandates obtained from their clients
— In case an FPI intends to hedge the exposure of one of its sub-account holders (will be applicable in case of accounts which have not yet converted), it will be required to produce a clear mandate from the sub-account holder in respect of the latter’s intention to enter into the derivative transaction. Further, the AD Category I banks shall have to verify the mandate as well as the eligibility of the contract vis-a-vis the market value of the securities held in the concerned sub-account

The standard currency offered for forward cover is USD. However, in case the client wishes to book a contract in any other currency, the spot cross rate between the currency and USD at that point of time will be used to recalculate the value of its investments.

RBI has also permitted Foreign Portfolio Investors (FPIs) to hedge the coupon receipts arising out of their investments in debt securities in India falling due during the following 12 months, subject to the following condition:
— The hedge contracts shall not be eligible for rebooking on cancellation
— In case the coupon amount is yet to be received, then the contracts can be rolled over on maturity

FPIs can hedge their coupon receipts by way of forward contracts with any Authorised Dealer (AD) Category I bank.

9.2. Foreign currency-rupee swaps permitted for IPO flows under ASBA

In addition to forward cover facilities, the RBI has permitted Authorised Dealer banks to allow foreign currency-rupee swaps to FPIs for capital flows relating to IPOs under the Application Supported by Blocked Amount (ASBA) mechanism, subject to the following conditions;
— FPIs can undertake foreign currency-rupee swaps only for hedging the flows relating to the IPO under the ASBA mechanism
— The amount of the swap should not exceed the amount proposed to be invested in the IPO
— The tenor of the swap should not exceed 30 days
— The contracts, once cancelled, cannot be rebooked. Rollovers under this scheme will also not be permitted

9.3. Participation in the Currency Derivative segment of the Exchange

FPIs are permitted to hedge the currency risk arising out of the market value of their exposure to Indian debt and equity securities including units of equity / debt mutual funds through any registered / recognised trading member of the exchange on the currency derivative segment of the exchange concerned subject to the following norms:
— FPIs can take long (bought) position as well as short (sold) position in foreign currency up to USD 15 million, per exchange without any underlying exposure
— FPIs have been provided an additional equivalent limit up to USD 5 million (both long as well as short) for taking exposure in EUR-INR, GBP-INR and JPY-INR currency pairs without the requirement of establishing underlying exposure
— The exposure limit will apply on both day-end as well as intra-day
— These limits shall be monitored by the Exchanges and breaches, if any may be reported
— Exchanges have been permitted to prescribe fixed limits for the contracts in currencies other than USD such that these limits are within the equivalent of USD 5 million
— FPIs and Domestic clients may take the entire USD 5 million equivalent position in single currency pair or combination of currency pairs and have to ensure that their position in EUR-INR, GBP-INR, JPY-INR, all put together does not exceed USD 5 million equivalent
— FPIs shall ensure that their short position per stock exchange, across all contracts does not exceed USD 15 million in USD-INR pair and USD 5 million equivalent in EUR-INR, GBP-INR and JPY-INR pairs, all put together at any point of time
— FPIs and Domestic client shall be permitted to take long position in excess of the limits mentioned above, provided they have an equivalent underlying exposure in Indian debt or equity securities including units of equity / debt mutual funds. An FPI cannot take a short position beyond USD 15 million per exchange

Position limits for permitted currency pairs per stock exchange

Position limits for FPIs in Category I and Category II, Domestic Institutional Investors (DII) and Stock Brokers (bank and non-bank)

Currency Pair	Position limits
USD-INR	Gross open position across all contracts shall not exceed 15% of the total open interest or USD 100 million, whichever is higher
EUR-INR	Gross open position across all contracts shall not exceed 15% of the total open interest or EUR 50 million, whichever is higher
GBP-INR	Gross open position across all contracts shall not exceed 15% of the total open interest or GBP 50 million, whichever is higher
JPY-INR	Gross open position across all contracts shall not exceed 15% of the total open interest or JPY 2000 million, whichever is higher

Position limits for Domestic Clients and Category III FPIs

Currency Pair	Position limits
USD-INR	Gross open position across all contracts shall not exceed 6% of the total open interest or USD 10 million, whichever is higher
EUR-INR	Gross open position across all contracts shall not exceed 6% of the total open interest or EUR 5 million, whichever is higher
GBP-INR	Gross open position across all contracts shall not exceed 6% of the total open interest or GBP 5 million, whichever is higher
JPY-INR	Gross open position across all contracts shall not exceed 6% of the total open interest or JPY 200 million, whichever is higher

Methodology for calculating USD 5 million equivalent in other currency pairs

- The exchange will provide a fixed ratio for conversion from USD 1 million into respective currency pair. The ratio provided by the exchange will be modified on quarterly basis after giving sufficient notice to market participants
- For instance, if the conversion ratio provided by the exchange is as given below, a Client / FPI can take position up to EUR 4.55 million in EUR-INR or GBP 3.30 million in GBP-INR or JPY 595.5 million in JPY-INR
  - USD 1 million = 0.91 EUR million
  - USD 1 million = 0.66 GBP million
  - USD 1 million = 119.10 JPY million
- The client / FPI can take the exposure of USD 5 million equivalent in single currency pair or combination of currency pairs and has to ensure that their position in EUR-INR, GBP-INR and JPY-INR, all put together does not exceed USD 5 million equivalent using the ratios provided by the exchange

Alerts for client level position

- The Exchange will disseminate alerts if the gross open position of the client across all members (on the basis of PAN) across all contracts exceeds the aforesaid position limits at the end of the day, under the head 'client level position violation'.
- Gross open position is computed as higher of long position (long futures, long call options, short put options) or short position (short futures, short call options, long put options) based on the total Open Interest of the previous day's trades in that symbol

9.4. Responsibilities of FPIs

— The onus of ensuring the existence of an underlying exposure shall rest with the FPI concerned
— If the total value of the contracts exceeds the market value of the holdings on any day, the concerned FPI shall be liable for penal actions as may be laid down by the Securities and Exchange Board of India (SEBI) and action as may be taken by RBI, under the Foreign Exchange Management Act (FEMA), 1999

9.5. Monitoring of positions

— The exchange / clearing corporation will provide FPI wise information on day-end open position as well as intra-day highest position to the respective custodian banks
— The custodian banks will aggregate the position of each FPI on the stock exchanges as well as the Over the Counter (OTC) contracts booked with themselves and other Authorised Dealer (AD) banks
— The designated custodian bank will be monitoring the total position and bring transgressions, if any, to the notice of RBI / SEBI
— The limit shall be monitored on end of day position basis. The USD 5 million limit is being considered as separate for short position across the three currency pairs and separate for long position across the three currency pairs
— The exchange will intimate custodian of the FPIs of the intraday highest position taken during the day by FPIs, through end of day report

The National Stock Exchange (NSE) has also released the Frequently Asked Questions (FAQs) relating to Foreign Portfolio Investors (FPIs) investment in Currency Derivatives segment.

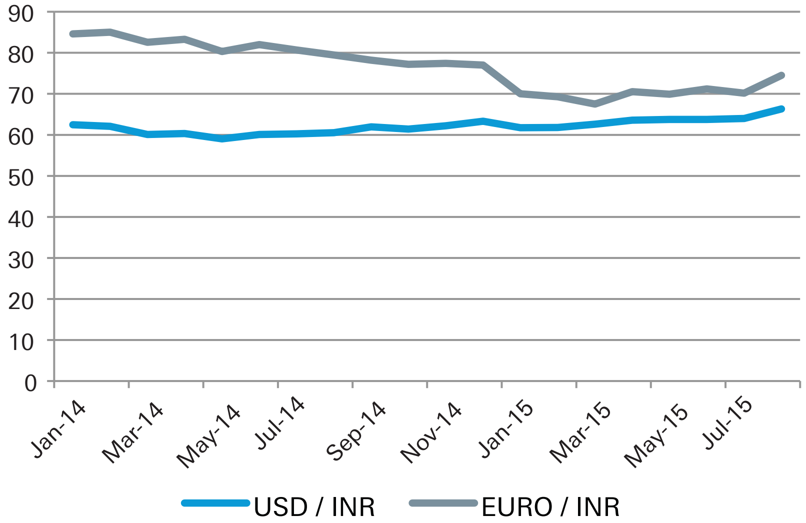
The FAQ set is a compilation of topics which clarify various nuances governing the activities of FPIs in currency derivatives segment and cover the following areas:
— Products in currency derivative segment that the FPI can trade
— Size of each contract for different currency pairs on the exchange
— Calculation of current day's applicable position limits
— Computation of client level open position
— Rollover of open contracts from one month to another

The FAQs can be accessed by visiting this link:
http://www.nseindia.com/invest/resources/download/CDS_FAQ_FPI.pdf

9.6. Currency trend

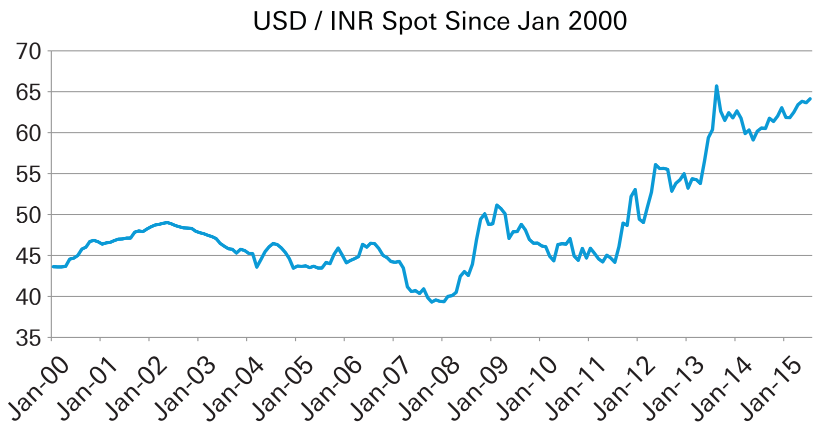
The chart below reflects the currency movement during the period Jan 2014 to Aug 2015 (INR vs USD and EUR)

Source: RBI



The graph below reflects the currency trend since January 2000

Source: Bloomberg



Chapter 10 Clearing and Settlement Environment

10.1. Introduction

The securities market in India has witnessed several innovations in Clearing and Settlement mechanism which includes use of

— State of art Information Technology
— Compression of Settlement Cycle
— Dematerialisation and Electronic Transfer of Securities
— Securities Lending & Borrowing
— Efficient Risk management systems
— Clearing Corporations for Counterparty risk management

Besides above, stock exchanges in India were following a system of account period settlement for cash market transactions and then the T+2 rolling settlement was introduced for all securities. In the T+2 settlement pay-in and pay-out of funds, as well as securities take place two working days after the Trade.

Movement of securities has become almost instantaneous in the dematerialised environment with depositories National Securities Depositories Ltd. (NSDL) and Central Depositories Services Ltd. (CDSL) providing electronic transfer of securities.

Clearing and Settlement

Stock Exchanges like National Stock Exchange (NSE) & Bombay Stock Exchange (BSE) provides a trading platform to its trading members; the National Securities Clearing Corporation Ltd. (NSCCL), Indian Clearing Corporation Limited (ICCL) determines the funds / securities obligations of the trading members and ensures that trading members meet their obligations for Equities. All the government security transactions are settled through Clearing Corporation of India Limited (CCIL). Clearing houses is obligated to meet all settlement obligations, regardless of member defaults, without any discretion.

The core functions involved in the Settlements are:

— Trade Recording
— Trade Confirmation
— Determination of Obligation
— Pay-in of Funds and Securities
— Pay-out of Funds and Securities
— Risk Management

10.2. Equities

The equity stock market in India has successfully transitioned to T+2 rolling settlements effective April 2003. Clearing participants in the settlement of an equity transaction along with Intermediaries perform following role:

National Securities Clearing Corporation Ltd. (NSCCL) / Indian Clearing Corporation Limited (ICCL): Clearing and settlement of trades and risk management are its core central functions, and also responsible for post-trade activities of a stock exchange

Clearing Members: responsible for settling their obligations as determined by the NSCCL / ICCL. Have to make available funds and / or securities in the designated accounts on the settlement day

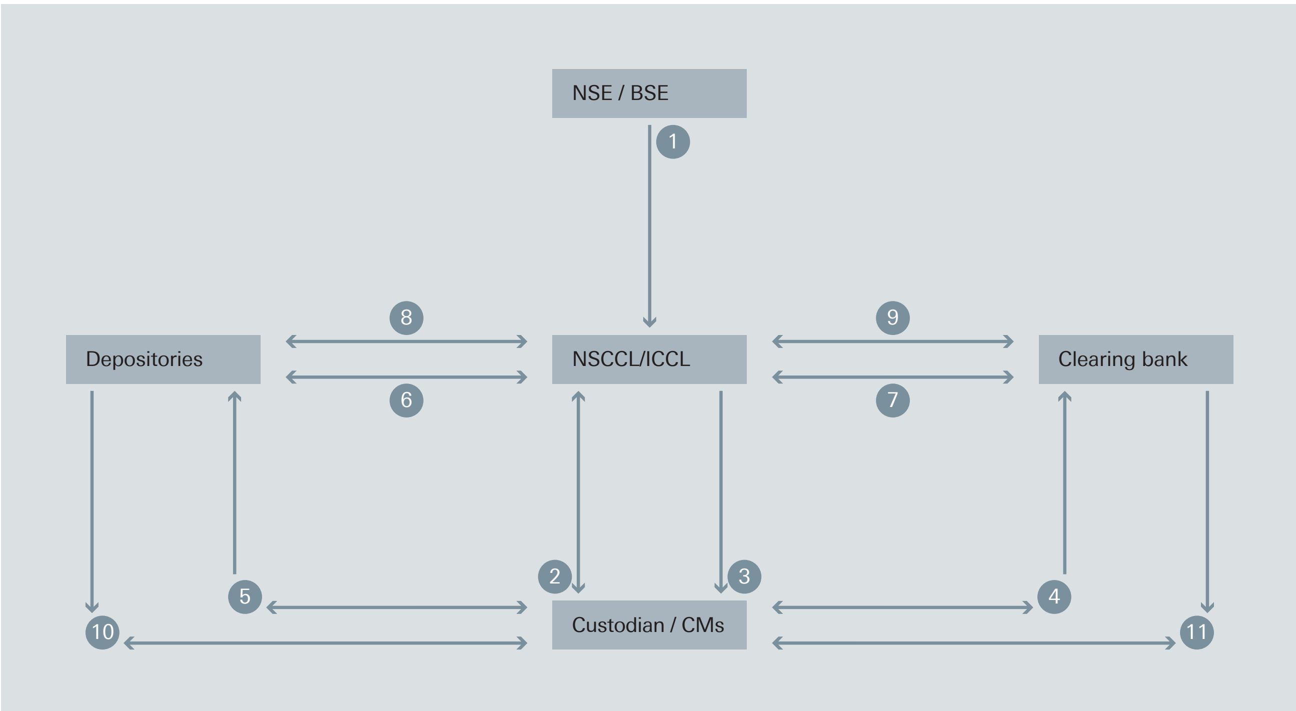
Custodians: Custodian as Clearing member settles trades assigned to him by trading members

Clearing Banks: link between the Clearing Members & NSCCL / ICCL for funds settlement via dedicated clearing account with one of the clearing banks

Depositories: Depositories help in the settlement of the dematerialised securities

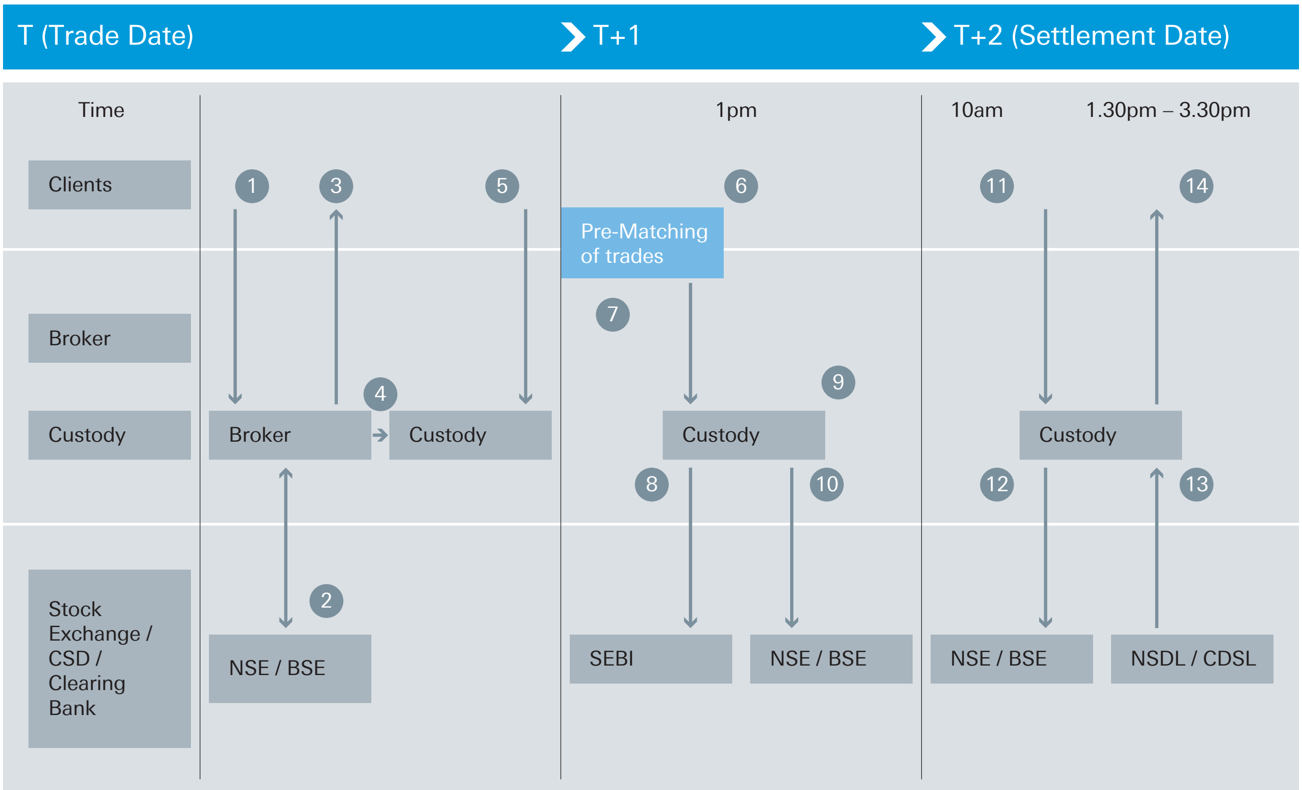
Professional Clearing Member: special category of members admitted by NSCCL / ICCL may clear and settle trades executed for their clients (individuals, institutions etc.)

Settlement Process in Capital Market Segment



Numbers denote the process flow sequence

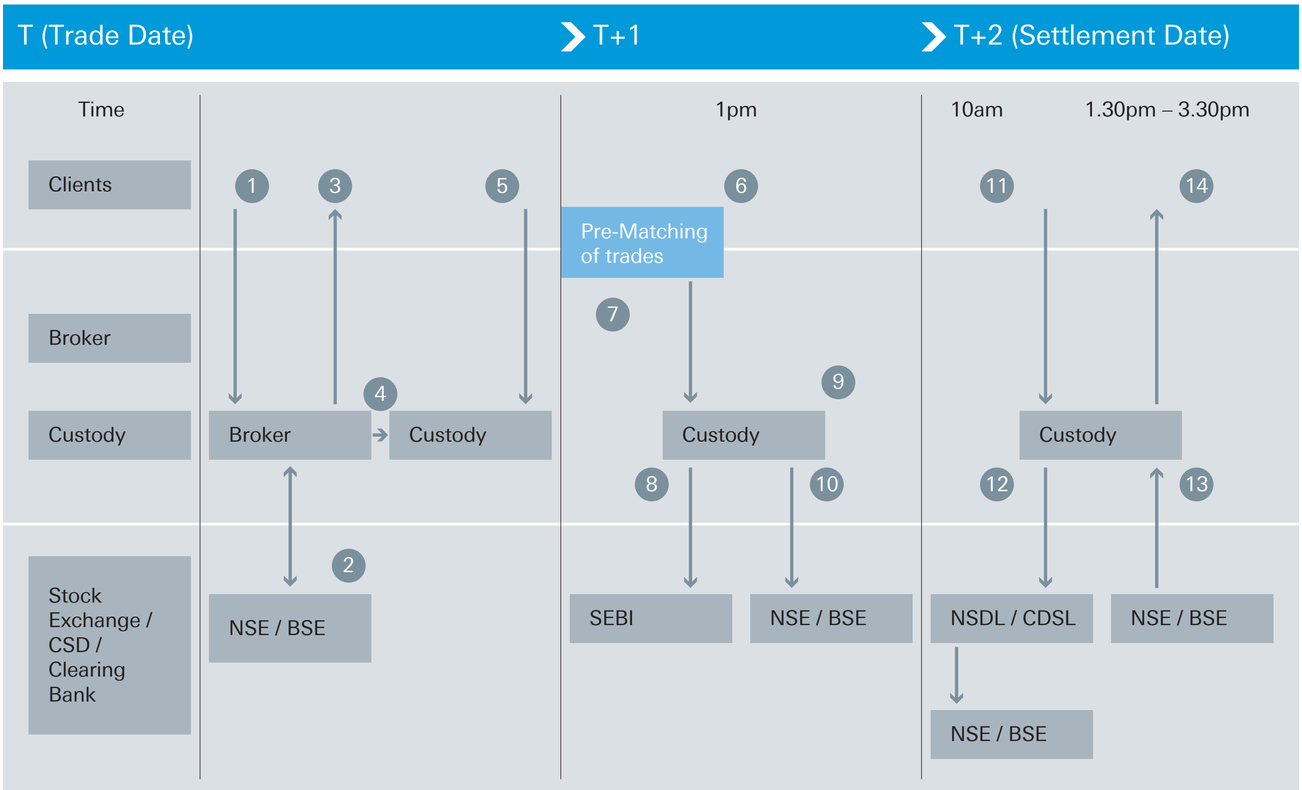
Settlement Flow - Equity Purchase Trade



Legend

1. Trade Instruction to broker
2. Trade Executed by broker on the exchange
3. Trade confirmation sent by broker to the client
4. Contract Note sent to custodian on day T
5. Settlement Instruction to custodian by EOD on day T
6. Client to arrange for INR funds towards margin / full Settlement (early pay-in)
7. Pre-matching done and Trade confirmation by 1pm, T+1 by Custody
8. Reporting to SEBI
9. Client account debited for margin / early pay-in proceeds
10. Pay margins / Early pay-in to the exchange through the clearing bank
11. For margin clients debit Net settlement amount from client's account by T+2, 10am
12. Payment for settlement value to the exchange through the clearing bank
13. Payout of securities via depositories
14. Settlement confirmation to client

Settlement Flow - Equity Sale Trade



Legend
1. Trade Instruction to broker
2. Trade Executed by broker on the exchange
3. Trade confirmation sent by broker to the client
4. Contract Note sent to custodian on day T
5. Settlement Instruction to custodian by EOD on day T
6. Client to arrange for margin proceeds / instruct for early pay-in
7. Pre-matching done and Trade confirmation by 1pm, T+1 by Custody
8. Reporting to SEBI
9. Client account debited for margin (unless client has opted for early pay-in of securities)
10. Pay margins / Early pay-in of securities
11. For Margin clients debit securities from the client's account by T+2, 10am
12. Pay-in of securities by 10am to the depositories
13. Payout of funds via clearing bank
14. Credit proceeds to the client's account and send settlement confirmation to the client

10.3. Fixed Income

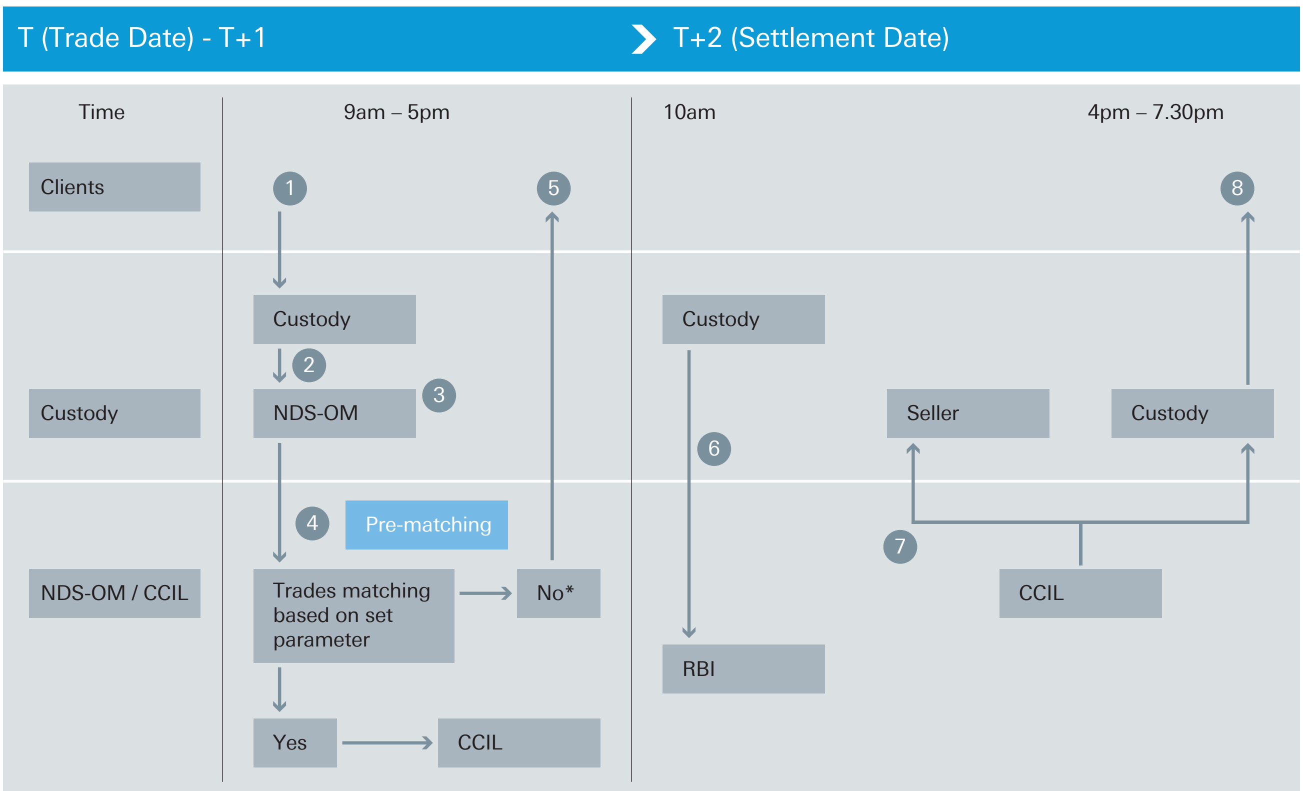
Government Securities

Government Securities (G-Sec) are largely traded through the anonymous order matching platform called Negotiated Dealing System – Order Matching (NDS-OM). G-Secs can also be traded on the exchange. On the NSE, trades in G-Secs are executed under the Negotiated Trade Reporting Platform. On BSE, such securities are traded under the Debt Market Segment or under the Retail Debt Market Segment. Accordingly, clearing and settlement of such trades is governed by the bye-laws, rules, regulations, and related circulars of these segments. The trading mechanism for trades in the Retail Debt Market (RDM) segment for both the NSE and the BSE is identical to the one used for equity transactions. Trades in government securities executed on WDM segment of NSE and BSE are routed through the clearing corporation of the exchanges.

The actual settlement of funds and securities are affected directly between participants or through Reserve Bank of India (RBI). All trades in government securities are reported to RBI-SGL through the Negotiated Dealing System (NDS) of RBI, and Clearing Corporation of India Limited (CCIL) provides settlement guarantee for transactions in government securities including repos. FPIs have the option to trade directly in the G-Sec market without availing the services of a broker.

Settlement of all outright secondary market transactions in government securities was standardised to T+1 with the only exception being settlement of trades done by Foreign Portfolio Investors. RBI has permitted extended reporting timings and settlements of Government Securities (G-Sec) transaction undertaken by Foreign Portfolio Investors (FPIs) on T+2 basis. Accordingly all buy and sale transactions in G-Sec, where at least one of the parties is an FPI, will be settled on T+2 basis. Custodian bank of the FPI selling the security or the counterparty entity selling the security to the FPI will have to report the deal on trade date itself within the prescribed reporting time. Custodian bank of the FPI buying the security can report the deal upto 1pm till next business day. All the other conditions with respect to settlement shall continue to apply for transactions settled on T+2 basis. FPIs have been permitted to trade in government securities directly without availing the services of a broker. In case of repo transactions in government securities, first leg can be settled either on T+0 basis or T+1 basis. Repo transactions are not allowed for FPIs.

Settlement Flow – G-Sec Purchase Transaction

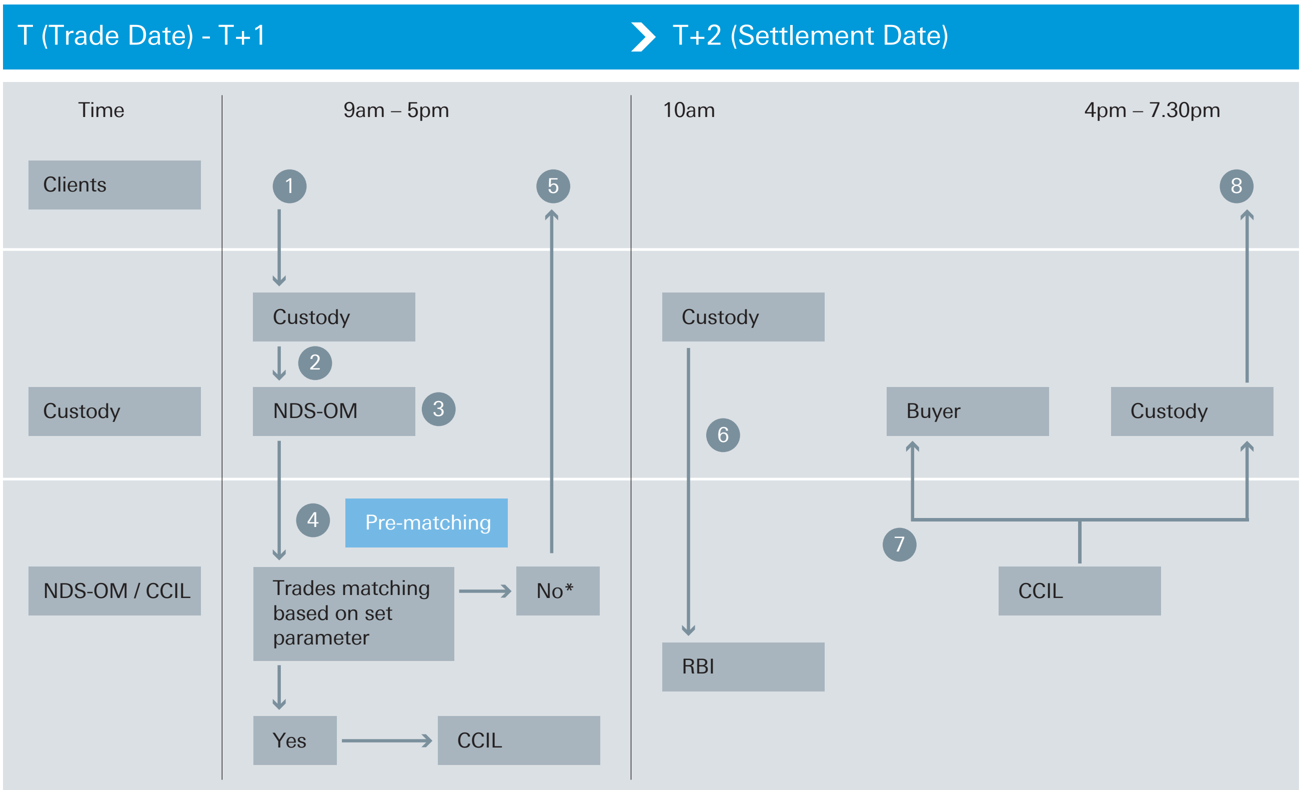


Legend
NDS-OM – Negotiated Dealing System Order Matching Platform
CCIL – Clearing Corporation of India, responsible for settling trades on the NDS platform

1. Trade instructions sent to the custodian
2. Reporting (by buyer and seller) of trades on NDS-OM to be completed within 15 minutes of trade execution
3. Reporting / confirmation of G-Sec trades can be either on T or T+1 date before 1pm
4. Pre-matching is done with the counter-party based on set parameters. If matched, trades are transferred to CCIL for settlement
5. In case matching fails, intimation sent to the client to revise trades.
6. Debit settlement amount from the client's account and make payment to RBI by 10am
7. CCIL transfers funds to the seller and securities to the buyers CSGL account held with the custodian
8. Settlement confirmation sent to the client

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

Settlement Flow – G-Sec Sale Transaction



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

1. Trade instructions sent to the custodian
2. Reporting (by buyer and seller) of trades on NDS-OM to be completed within 15 minutes of trade execution
3. Reporting and confirmation of G-Sec trades should be on T date only before 5pm
4. Pre-matching done with the counter-party based on set parameters. If matched, trades are transferred to CCIL for settlement
5. In case matching fails, intimation sent to the client to revise trades
6. Securities are debited from the client's Gilt account
7. CCIL transfers funds to the seller and securities to the buyers Gilt account
8. Credit client's cash account and send a settlement confirmation to the client

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

RBI as depository of Government Securities

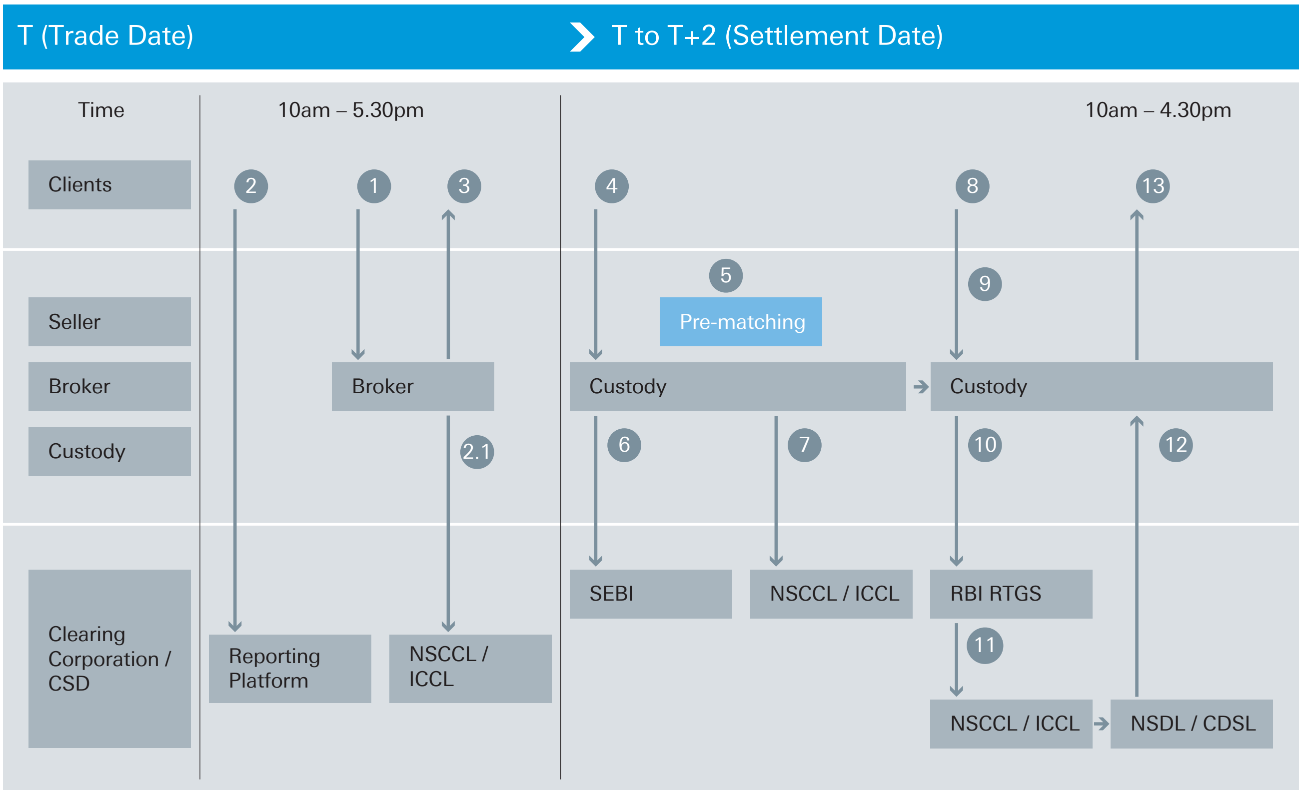
The Public Debt Office (PDO) of the Reserve Bank of India, Mumbai acts as the registry and central depository for the Government securities. Government securities may be held by investors either as physical stock or in dematerialised form. From May 20, 2002, it is mandatory for all the RBI regulated entities to hold and transact in Government securities only in dematerialized (SGL) form.

- Physical form: Government securities may be held in the form of stock certificates. A stock certificate is registered in the books of PDO. Ownership in stock certificates can not be transferred by way of endorsement and delivery. They are transferred by executing a transfer form as the ownership and transfer details are recorded in the books of PDO. The transfer of a stock certificate is final and valid only when the same is registered in the books of PDO.
- Demat form: Holding government securities in the dematerialized or scripless form is the safest and the most convenient alternative as it eliminates the problems relating to custody, viz., loss of security. Besides, transfers and servicing are electronic and hassle free. The holders can maintain their securities in dematerialised form in either of the two ways:
  - SGL Account: Reserve Bank of India offers Subsidiary General Ledger Account (SGL) facility to select entities who can maintain their securities in SGL accounts maintained with the Public Debt Offices of the Reserve Bank of India
  - Gilt Account: as the eligibility to open and maintain an SGL account with the RBI is restricted, an investor has the option of opening a Gilt Account with a bank or a Primary Dealer which is eligible to open a Constituents' Subsidiary General Ledger Account (CSGL) with the RBI. Under this arrangement, the bank or the Primary Dealer, as a custodian of the Gilt Account holders, would maintain the holdings of its constituents in a CSGL account (which is also known as SGL II account) with the RBI. The servicing of securities held in the Gilt Accounts is done electronically, facilitating hassle free trading and maintenance of the securities. Receipt of maturity proceeds and periodic interest is also faster as the proceeds are credited to the current account of the custodian bank / PD with the RBI and the custodian (CSGL account holder) immediately passes on the credit to the Gilt Account Holders (GAH)

Corporate Bonds

The settlement of corporate bonds are conducted through the National Securities Clearing Corporation Limited (NSCCL) and Indian Clearing Corporation Limited (ICCL) – the clearing corporations of the National Stock Exchange and the Bombay Stock Exchange respectively. NSCCL / ICCL provides a facility for settlement of deals in corporate bonds. The settlements of corporate bond trades shall be carried out between Monday to Friday for three settlement cycles viz., T+0, T+1 and T+2. FPIs are permitted to trade in the corporate bond market only through a broker.

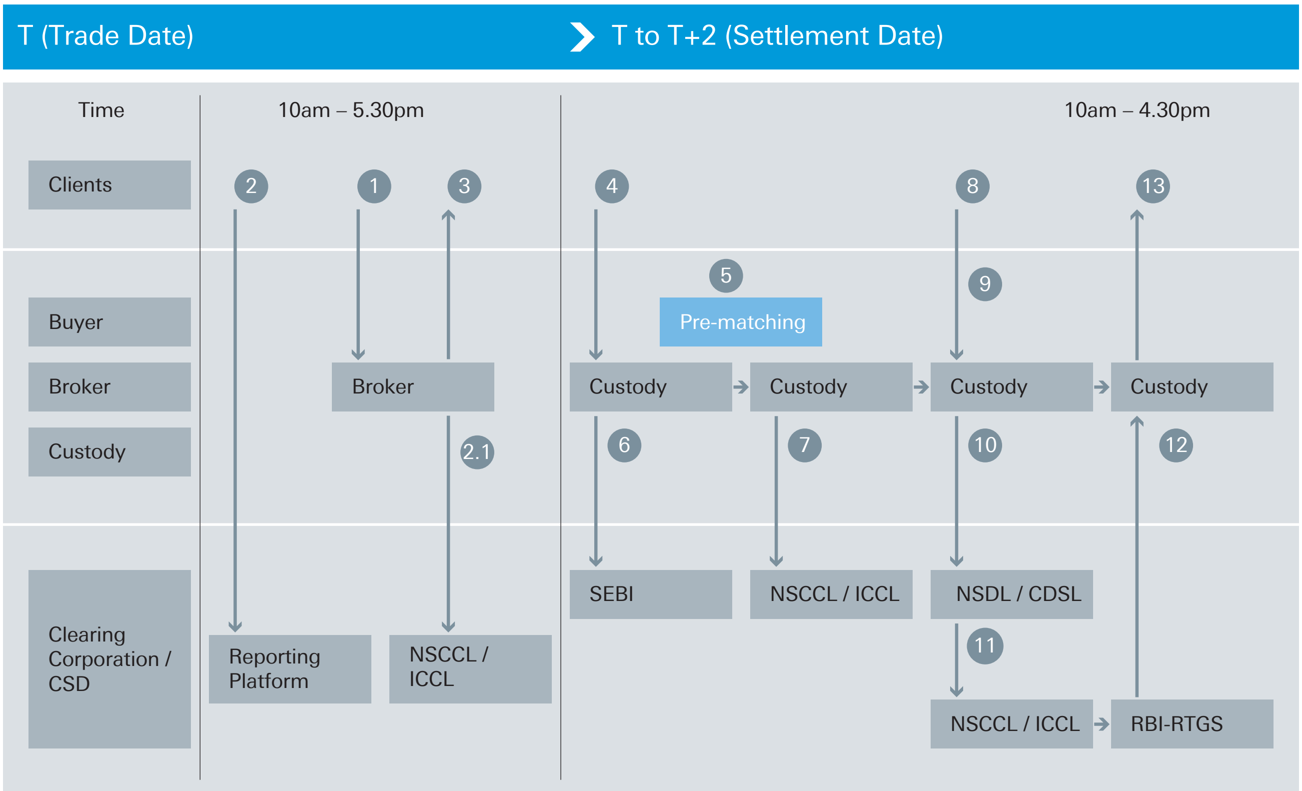
Settlement Flow - Purchase Trade Corporate Bonds



Legend
NSCCL – National Securities Clearing Corporation Limited
ICCL – Indian Clearing Corporation Limited

1. Trade instructions sent by client to the broker
2. Trade reported on bond reporting platform
   2.1 Broker reports trades to the exchange
3. Trade confirmation to the client along with broker contract note
4. Settlement instructions as per agreed timelines
5. Pre-matching between client instructions and entry on bond reporting platform
6. Reporting of trades to SEBI
7. Trades confirmed on NSCCL and ICCL
8. Client to ensure the account is funded
9. Debit client's cash account
10. Pay-in of funds through RBI-RTGS
11. Settlement via the clearing corporations
12. Delivery of bonds and credit to the clients account through the Depository
13. Settlement confirmation sent to the client

Settlement Flow – Sale Trade Corporate Bonds



Legend
NSCCL – National Securities Clearing Corporation Limited
ICCL – Indian Clearing Corporation Limited

1. Trade instructions sent by client to the broker
2. Trade reported on bond reporting platform
   2.1 Broker reports trades to the exchange
3. Trade confirmation to the client along with broker contract note
4. Settlement instructions as per agreed timelines
5. Pre-matching between client instructions and entry on bond reporting platform
6. Reporting of trades to SEBI
7. Trades confirmed on NSCCL and ICCL
8. Client to ensure there is adequate saleable stock
9. Debit client's security account for pay-in of securities
10. Pay-in of securities through the Depositories
11. Settlement via the clearing corporations
12. Funds received via RBI-RTGS
13. Credit client's cash account and send the settlement confirmation

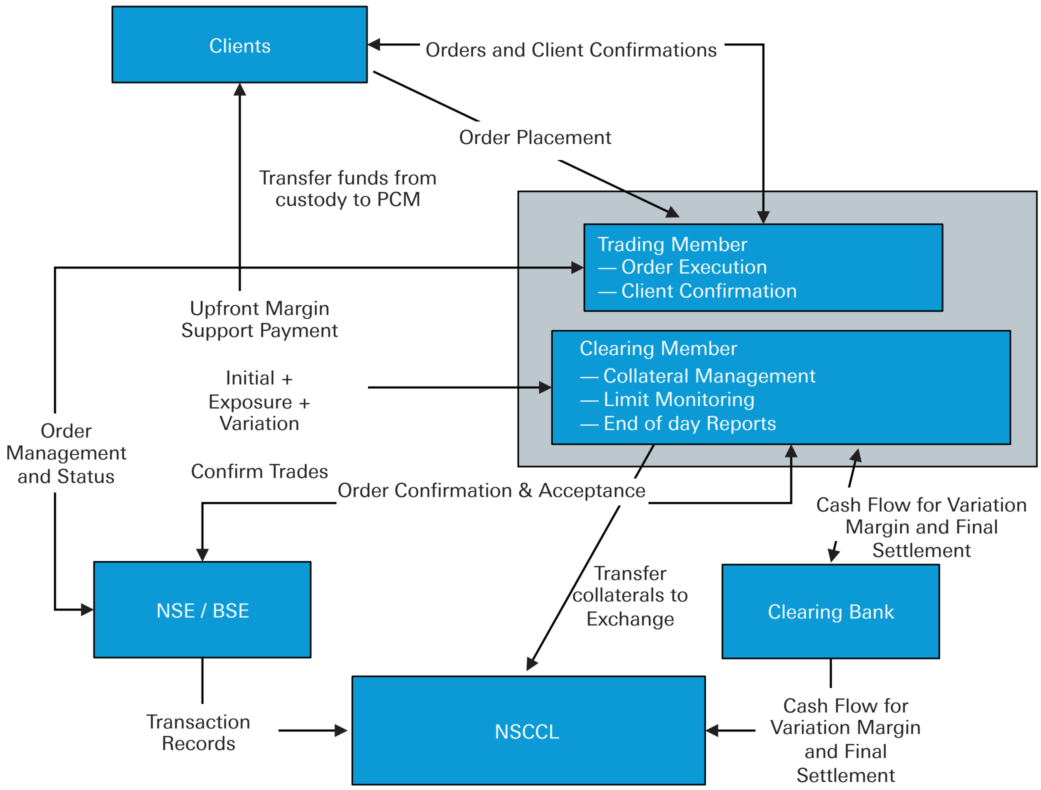
Commercial Paper - Settlement's of Commercial Papers are through clearing houses i.e. National Securities Clearing Corporation Limited (NSCCL) or Indian Clearing Corporation Limited (ICCL). The clearing and settlement data will flow to the relevant clearing corporation, as is presently done for corporate bond trades.

Effective February 3, 2015, FPIs are not permitted to investment in Commercial paper.

10.4. Derivatives Segment

Equity Derivatives: Clearing Corporations of the exchanges act as clearing and settlement agency for all deals executed on the Derivatives (Futures & Options) segment. NSCCL acts as legal counter-party to all deals on NSE's F&O segment and guarantees settlement and ICCL acts as legal counter-party to all deals on BSE’s F&O segment and guarantees settlement.

Process flow



Currency Derivatives: Clearing Corporation of the exchanges is the clearing and settlement agency for all deals executed on the Currency Derivatives segment. NSCCL acts as legal counter-party to all deals on NSE's Currency Derivatives segment and guarantees settlement.

Interest Rate Futures (IRF): Clearing Corporation of the exchanges is the clearing and settlement agency for all deals executed on the Derivatives segment relating to IRFs. NSCCL acts as legal counter-party to all deals on NSE's Derivatives segment relating to IRFs and guarantees settlement. ICCL acts as legal counterparty to all deals on BSE’s derivative segment relating to IRFs and guarantees settlement. All transactions relating to IRFs will be cash settled in Indian rupees.

10.5. Securities Lending & Borrowing

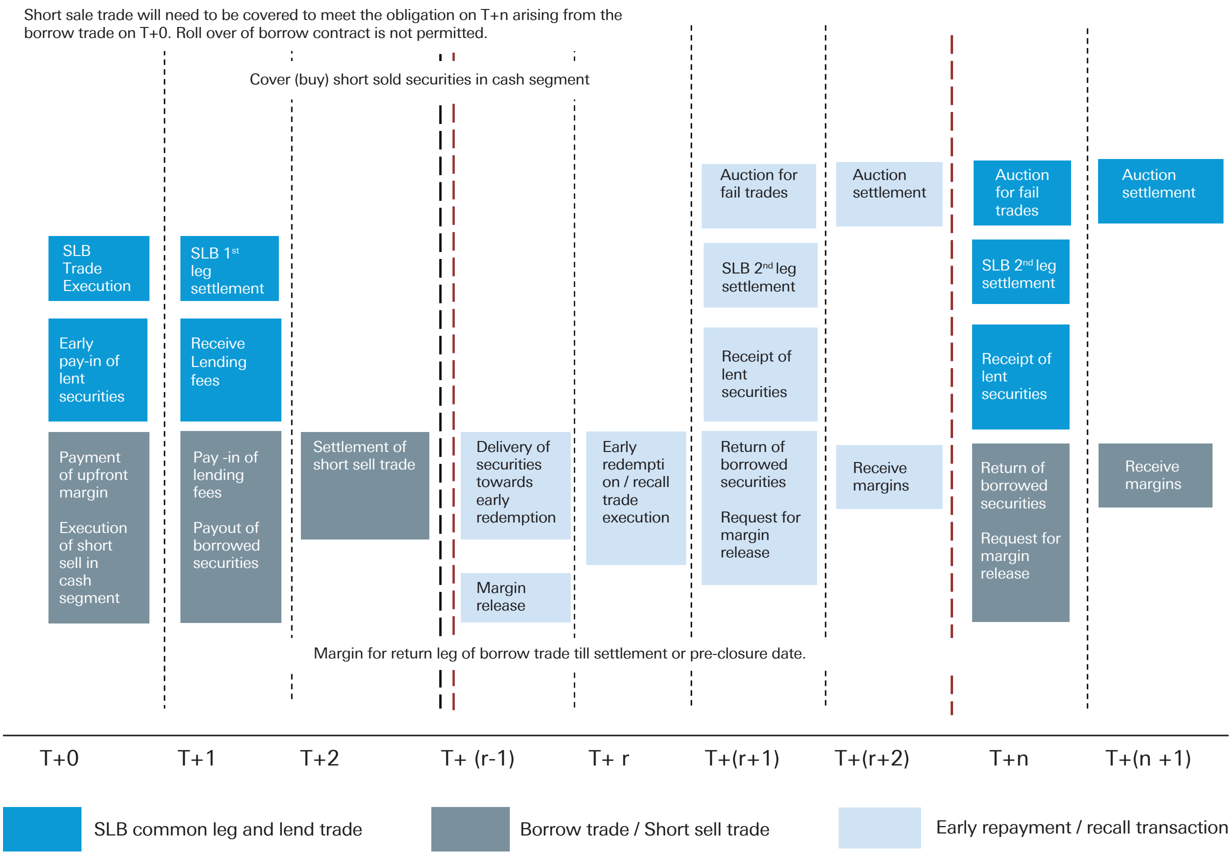
SEBI and RBI have permitted onshore short selling and Securities Lending & Borrowing (SLB) for all classes of investors. Therefore, all institutional investors are eligible to short sell and lend / borrow securities.

SEBI has mandated that all SLB transactions have to be routed through the clearing corporation of the stock exchanges. Consequently, only the National Securities Clearing Corporation Limited (NSCCL) and the Indian Clearing Corporation of India (ICCL), the clearing corporations, are eligible to become Approved Intermediaries (AI) for SLB transactions. The borrowers and lenders do not have direct access to trade on the SLB platform of the AIs and must therefore execute trades through existing NSE and BSE clearing members (including banks and custodians) who become

SLB participants. The clearing and settlement of SLB trades by investors will be through the designated custodian of the institutional investors.

All Clearing members of the Authorised Intermediary clearing house (NSCCL / ICCL) including Banks and Custodians referred to as 'Participant' are eligible to participate in SLBs. In order to participate in SLBs, clearing members have to register as Participants in SLBs. Participants desirous of lending or borrowing securities can do so either on their own account or on behalf of their clients.

SLB Trade Flow - Operational Model



10.6. Risk Management - Overview

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

Margin: key part of the risk management system is Margin, with uncertainty in stock price movement leading to risk which is addressed by margining system of stock markets. Daily margin comprises as below:

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

From April 21, 2008, transactions done by all institutional investors including FPIs are margined from T+1 day subsequent to confirmation of the transactions by the custodians.

Note- FPIs that are corporate bodies, individuals or family offices are margined on an upfront basis (i.e. T+0), as per the extant margining framework for the non-institutional trades.

Capital Adequacy Requirements: the core of risk management is Liquid assets deposited by members with the exchange / clearing corporation. Members are required to provide liquid assets which adequately cover various margins and base minimum capital requirements.

Cross Margining: in order to improve the efficiency of the use of the margin capital by market participants SEBI allowed Cross Margining facility across Cash and F&O segment and to all the market participants in 2008.

Core Settlement Guarantee Fund (CSGF): SEBI has prescribed norms for Core Settlement Guarantee Fund (Core SGF), Default Waterfall and Stress Testing, aimed at enhancing the robustness of the present risk management systems of the Clearing Corporations for dealing with defaults of the clearing members in an effective manner. In the event of failure of a trading member, the Fund is utilised for successful completion of the settlement which eliminates counter-party risk of trading on the Exchange. Accordingly the exchanges have set up CSGF wherein the clearing corporations contribute upto 50% of Minimum Required Capital (MRC) of each segment. The Exchange contributes upto 25% of the MRC and the remaining 25% is contributed by the clearing members under each segment.

The revised norms are aimed at achieving mainly the following objectives:

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

Contribution to Core SGF

- At any point of time, the contributions of various contributors to Core SGF of any segment shall be as follows: Clearing Corporation (CC) contribution: CC contribution to Core SGF shall be at least 50% of the Minimum Required Capital (MRC). CC shall make this contribution from its own funds. CC contribution to core SGFs shall be considered as part of its net worth
- Stock Exchange contribution: Stock Exchange contribution to Core SGF shall be at least 25% of the MRC (can be adjusted against transfer of profit by Stock Exchange as per Regulation 33 of SECC Regulations, which may be reviewed in view of these guidelines)
- Clearing Member primary contribution: If the CC wishes, it can seek risk based contribution from Clearing Members (CMs) of the segment (including custodial clearing members) to the Core SGF subject to the following conditions:
  - that total contribution from CMs shall not be more than 25% of the MRC
  - that no exposure shall be available on Core SGF contribution of any CM (exposure-free collateral of CM available with CC can be considered towards Core SGF contribution of CM), and
  - that required contributions of individual CMs shall be pro-rata based on the risk they bring to the system

CC shall have the flexibility to collect CM primary contribution either upfront or staggered over a period of time. In case of staggered contribution, the remaining balance shall be met by CC to ensure adequacy of total Core SGF corpus at all times. Such CC contribution shall be available to CC for withdrawal as and when further contributions from CMs are received.

The above prescribed limits of contribution by CC, SE and CMs may be reviewed by SEBI from time to time considering the prevailing market conditions.

Any penalties levied by CC (as per Regulation 34 of SECC Regulations) shall be credited to Core SGF corpus.

Interest on cash contribution to Core SGF shall also accrue to the Core SGF and pro-rata attributed to the contributors in proportion to their cash contribution.

CC shall ordinarily accept cash collateral for Core SGF contribution. However, CC may accept CM contribution in the form of bank FDs too. CC shall adhere to specific guidance which may be issued by SEBI from time to time in this regard.

Access to Core SGF

CC may utilise the Core SGF in the event of a failure of member(s) to honour settlement commitment.

Default waterfall

The default waterfall of CC for any segment shall follow this order:

1. Monies of defaulting member (including defaulting member's primary contribution to Core SGF(s) and excess monies of defaulter in other segments).
2. Insurance, if any.
3. CC resources (equal to 5% of the segment MRC)
4. Core SGF of the segment in the following order:
   — Penalties
   — CC contribution to the extent of at least 25% of the segment MRC
   — Remaining Core SGF: CC contribution, Stock Exchange contribution and non-defaulting members' primary contribution to Core SGF on pro-rata basis
5. Proportion of remaining CC resources (excluding CC contribution to core SGFs of other segments and INR 1 billion) equal to ratio of segment MRC to sum of MRCs of all segments*
6. CC / SE contribution to Core SGFs of other segments (after meeting obligations of those segments) and remaining CC resources to that extent as approved by SEBI
7. Capped additional contribution by non-defaulting members of the segment**
8. Any remaining loss to be covered by way of pro-rata haircut to payouts***

*INR 1 billion to be excluded only when remaining CC resources (excluding CC contribution to core SGFs of other segments) are more than INR 1 billion

**CC shall limit the liability of non-defaulting members towards additional contribution to a multiple of their required primary contribution to Core SGF and the framework regarding the same should be disclosed. In case of shortfall in recovery of assessed amounts from non-defaulting members, further loss can be allocated to layer 'VI' with approval of SEBI

***In case loss allocation is effected through haircut to payouts, any subsequent usage of funds shall be with prior SEBI approval. Further, any exit by CC post using this layer shall be as per the terms decided by SEBI in public interest

SPAN (Standardised Portfolio Analysis of Risk) monitoring: the objective is to identify overall risk in a portfolio of futures and options contracts for each member. The system treats futures and options contracts uniformly, while at the same time recognising the unique exposures associated with options portfolios like extremely deep out-of-the-money short positions, inter-month risk and inter-commodity risk.

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

10.7. Margins

Institutional equity trades are margined on trade date +1 (T+1) day. Margins are computed and levied at a client level and collected from the custodians for all confirmed trades. Custodians in turn, collect margins from the clients. Margins for unconfirmed institutional transactions are levied on the broker who has executed the transaction.

Types of margins levied

The following margins are being levied on institutional trades from April 21, 2008 on a T+1 basis:
- Value-at-Risk (VaR) Margins
- Extreme Loss Margins (ELM)
- Mark To Market (MTM)

10.7.1 Margins in cash market

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

- Netting of Margins with settlement proceeds: Netting between the margins paid to the stock exchanges on T+1 and the settlement proceeds to be paid on T+2 is permitted. Under the netting facility, the settlement obligation is determined on a net basis after deducting the cash margins paid by the institutional investor. This benefit will not be available if non-cash margins (Fixed Deposits, Bank Guarantee or approved securities) are placed by the investor as margin
- Early pay-in: Institutional investors are permitted to make early pay-in of funds and securities to avoid margins on trades. Trades for which early pay-in has been effected, will not be subject to the margins prescribed above
- The trades of FPIs in Category I and II shall be margined on a trade date +1 (T+1) basis in accordance with existing norms
- FPIs in Category III that are corporate bodies, individuals or family offices shall be margined on an upfront basis (i.e. T+0), as per the extant margining framework for the non-institutional trades i.e. Client will have to pre-fund their account to the extent of applicable margins before taking position in the market on T day. Other types of Category III investors shall experience the same margin mechanism as Category I and II

10.7.2 Margins in SLB Segment

Transaction Type	Obligation	Payable By	Mode	Payment on	Released on
Borrow Transaction	— Lending fee	Borrower	Payable in cash or cash equivalents like bank guarantees, fixed deposits or securities specified by NSCCL or ICCL. However, FIIs / FPIs must pay margins in cash only	T	T+1
Borrow Transaction – Reverse Leg	— VaR Margins — ELM Margins — MTM Margins — Lending price as may be specified by NSCCL / ICCL	Borrower	Payable in cash or cash equivalents like bank guarantees, fixed deposits or securities specified by NSCCL or ICCL. However, FIIs / FPIs must pay margins in cash only	T+1	Upon return of securities
Lend Transaction	— MTM Margins — Fixed percentage (25%) of lending price as may be specified by NSCCL / ICCL	Lender	Payable in cash or cash equivalents like bank guarantees, fixed deposits or securities specified by NSCCL or ICCL However, FIIs / FPIs must pay margins in cash only. Early pay-in of securities permitted to avoid margin payment	T	Pay-in

- Margin payments can be avoided by executing 'Early pay-in' of settlement obligation, either cash or securities, by borrower or lender respectively
- Exact computation formulas for margin calculation may differ slightly across exchanges, and may be modified from time to time

10.7.3 Margins in Exchange Debt Segment

For the purpose of risk management in respect of trades settled on DVP-3 basis on the stock exchange, the Clearing Corporation imposes the following margins:

- Initial Margin (IM): Initial margin is based on a worst case loss of a portfolio of an individual client across various scenarios of price changes so as to cover a 99% VaR over one day horizon
  - The minimum initial margin is 2% for residual maturity up to three years, 2.5% for residual maturity above three years and up to five years; and 3% for maturity above five years
  - The margin is calculated as percentage of traded price of the bond expressed in terms of clean price i.e. without taking accrued interest into account
  - Stock exchanges may follow a VaR estimation model similar to Interest Rate Futures
  - The Initial Margin shall be deducted upfront from the liquid assets of the member taking into account gross open positions
- Extreme Loss Margin (ELM): ELM covers the expected loss in situations that go beyond those envisaged in risk estimates used in the initial margins. The ELM for any bond is 2% of the traded price expressed in terms of clean price. It would be deducted upfront from the total liquid assets of the member

No margins are payable for corporate bond deals done in the OTC market that are reported and settled through the exchange clearing corporations.

10.7.4 Margins in G-Sec market
Risk Management Process for G-Sec: during the settlement processes, CCIL assumes certain risks which may arise due to a default by a member to honour its obligations. Settlement being on Delivery Versus Payment basis, the risk from a default is the market risk (change in price of the concerned security). CCIL processes are designed to cover the market risk through its margining process.

CCIL, the clearing corporation responsible for settling deals in government securities collects Initial Margin and Mark to Market Margin (both Intraday and EOD) from members in respect of their outstanding trades.

Initial Margin is collected to cover the likely risk from future adverse movement of prices of the concerned securities. Mark to Market Margin is collected to cover the notional loss (i.e. the difference between the current market price and the contract price of the security covered by the trade) already incurred by a member. Both the margins are computed trade-wise and then aggregated member-wise.

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

10.7.5 Margins in Derivative segment
The Clearing Corporations of the Exchanges have developed a comprehensive risk containment mechanism for the Futures & Options segment. The most critical component of a risk containment mechanism for NSCCL is the online position monitoring and margining system.

Clearing House uses the SPAN® (Standard Portfolio Analysis of Risk) system for the purpose of margining, which is a portfolio based system.

Initial Margin
Initial margin requirements are based on 99% VaR over a one day time horizon. In the case of futures contracts (on index or individual securities), the initial margin is computed over a two-day time horizon, applying the appropriate statistical formula. The methodology for computing VaR is as per regulatory guidelines. Initial margin requirement for a member:

— Client positions: is netted at the level of individual client and grossed across all clients, at the Trading / Clearing Member level, without any setoffs between clients
— Proprietary positions: is netted at Trading / Clearing Member level without any setoffs between client and proprietary positions

Apart from initial margin, the clearing corporations also levy additional margins such as Span Margin, Assignment Margin, Premium Margin, and Extreme Loss Margin (ELM).

For the purpose of SPAN Margin, various parameters are specified from time to time.

In case a trading member wishes to take additional trading positions his CM is required to provide Additional Base Capital (ABC) to Clearing Corporation. ABC can be provided by the members in the form of Cash, Bank Guarantee, Fixed Deposit Receipts and approved securities.

Premium Margin

In addition to Span Margin, Premium Margin is charged to members. The premium margin is the client wise premium amount payable by the buyer of the option and is levied till the completion of pay-in towards the premium settlement.

Assignment Margin

Assignment Margin is levied on a CM in addition to SPAN margin and Premium Margin. It is levied on assigned positions of CMs towards interim and final exercise settlement obligations for option contracts on index and individual securities till the pay-in towards exercise settlement is complete. The Assignment Margin is the net exercise settlement value payable by a Clearing Member towards interim and final exercise settlement and is deducted from the effective deposits of the Clearing Member available towards margins.

Exposure Margin

The exposure margins for options and futures contracts on index are as follows:

- For Index options and Index futures contracts: 3% of the notional value of a futures contract. In case of options it is charged only on short positions and is 3% of the notional value of open positions
- For option contracts and Futures Contract on individual Securities: the higher of 5% or 1.5 standard deviation of the notional value of gross open position in futures on individual securities and gross short open positions in options on individual securities in a particular underlying. The standard deviation of daily logarithmic returns of prices in the underlying stock in the cash market in the last six months is computed on a rolling and monthly basis at the end of each month

For this purpose notional value means:

- For a futures contract: the contract value at last traded price / closing price
- For an options contract: the value of an equivalent number of shares as conveyed by the options contract, in the underlying market, based on the last available closing price

In case of calendar spread positions in futures contract, exposure margins are levied on one third of the value of open position of the far month futures contract. The calendar spread position is granted calendar spread treatment till the expiry of the near month contract.

Imposition of additional margins

As a risk containment measure, the relevant authority may require clearing members to make payment of additional margins as may be decided from time to time. This shall be in addition to the initial margin and exposure margin, which are or may have been imposed from time to time.

10.8. Platform

Different avenues are available to investors interested in investing in securities of the company. The Securities Market has two interdependent and inseparable segments, the new issues (primary) market and the stock (secondary) market.

10.8.1 Primary Market

The Primary market provides the channel for sale of new securities. The issuer of securities sells the securities in the primary market to raise funds for investment and / or to discharge some obligation.

Initial Public Offers (IPO): Initial Public Offer (IPO) is the offer of equity shares by the company to the public and can be availed by any company meeting the listing criteria as specified by SEBI and Stock Exchanges. Participation in IPO is open to all investors including FPIs. IPOs normally have a specific portion that is allocated to Qualified Institutional Buyers (QIBs). IPO can be either through book building process or fixed price process or a combination of both. 100% payment to be blocked through the ASBA route. FPIs can participate in IPOs through their Custodian. However Category III FPI clients cannot apply under the QIB category and can apply under the 'non-institutional' category. QIBs not allowed to withdraw the bids after the issue closing date. However, bids can be revised before the bid closing date. In case of upward revision of bids, the incremental margin amount has to be paid along with the revision. However, in case of a downward revision, the excess margins already paid are refunded only at the time of allotment of shares.

Follow on Public Offer (FPO): Follow on Public Offer (FPO) is a follow on offer of equity shares by an existing company to the public. This is open to all investors and institutional investors, including FPIs can subscribe to this through their custodian. However Category III FPI clients cannot apply under the QIB category and can apply under the 'non-institutional' category .QIBs not allowed to withdraw the bids or lower the bids at any stage. However, bids can be revised before the bid closing date. In case of upward revision of bids, the incremental margin amount has to be paid along with the revision. No downward revision is permitted.

Qualified Institutional Placement (QIP): Qualified Institutions Placement (QIP) is an additional mode for listed companies to raise funds from Qualified Institutional Buyers(QIBs). While Category I and Category II FPIs can participate in the same through their custodian, Category III FPIs cannot participate as they are not treated as Qualified Institutional Buyers (QIBs).

Institutional Placement Program (IPP): FPO of eligible securities by an eligible seller, in which the offer, allocation and allotment of such securities is made only to Qualified Institutional Buyers (QIB). 100% payment to be blocked through the ASBA* route. Bids cannot be revised downwards or withdrawn. While Category I and Category II FPIs can participate in the same through their custodian, Category III FPIs cannot participate as they are not treated as Qualified Institutional Buyers (QIBs).

Offer for Sale (OFS): Refers to sale of promoters shares through a separate window provided by the stock exchanges for offloading their stake in a transparent manner. Participation in OFS is available to all categories of investor including FPIs. Orders in the OFS window can be placed by institutional investors including FPIs either by paying 100% margin or without paying upfront margin. However orders placed by paying 100% margin can be modified or cancelled at any time during the trading hours. Orders placed without paying margin cannot be modified or cancelled by the investors or brokers, except for making upward revision in the price or quantity

*Application Supported by Blocked Amount (ASBA) means an application for subscribing to a public issue or rights issue, along with an authorisation to Self Certified Syndicate Bank to block the application money in a bank account

10.8.2 Secondary Market

This is the market wherein the trading of securities is done. Secondary market consists of both equity as well as debt markets. For the general investor, the secondary market provides an efficient platform for trading of securities.

Equities: All secondary market deals in equity needs to be done on recognised Stock Exchange.

Debt: All debt deals in corporate bonds, securitised debt can be done on recognised stock exchange as well in the OTC market. However, all deals done on the OTC market needs to be compulsorily reported and settled through the clearing corporation of the Stock Exchange.

Tender Offer facility: SEBI has modified the SEBI (Delisting of Equity Shares) Regulations, 2009 to facilitate tendering and settlement of shares by the shareholders, through the stock exchange mechanism. Under this mechanism, the investors will be able to use the stock exchange platform for tendering shares while participating in open offers, buybacks and delisting offers by companies.

10.8.3 Government Securities

Secondary market G-Sec deals done in the OTC market needs to be reported and settled on the NDS-OM platform owned by the Reserve Bank of India.

Negotiated Dealing System - Order Matching (NDS-OM): Deals in the G-Sec happens in the OTC market as well as through the anonymous order matching platform called NDS OM. Bilateral deals done in the OTC market need to be reported and settled through the Negotiated Dealing System-Order Matching (NDS-OM) reporting module by the Primary Members on behalf of clients.

The Reserve Bank of India (RBI) had introduced the Negotiated Dealing System - Order Matching system (NDS-OM) in August 2005. NDS-OM is a screen based electronic anonymous order matching system for secondary market trading in Government securities owned by RBI. Presently the membership of the system is open to entities like Banks, Primary Dealers, Insurance Companies, Mutual Funds etc. i.e. entities who maintain SGL accounts with RBI. These are Primary Members (PM) of NDS and are permitted by RBI to become members of NDS-OM.

The Reserve Bank of India (RBI) has also introduced the Negotiated Dealing System - Order Matching system (NDS-OM) web module. To further enhance the access of Gilt Account Holders (GAHs) to NDS-OM, an internet based web application is provided to such clients who can now have direct access to NDS-OM, the system owned by RBI. The internet based utility permits GAH to directly trade (buying and selling) in G-Sec in the secondary market. The access is however, subject to controls by respective Primary Member (PM) with whom GAHs maintain gilt account and current account.

Chapter 11 Tax Aspects

FPIs have to ensure that all taxes have been paid or funds have been set aside to meet the tax liability before remittance of any sum out of India. Hence the responsibility for appointment of tax consultant for transactions undertaken as FPI will rest with the FPI.

Following taxes are payable by FPIs:
— Withholding Tax
— Capital Gains Tax
— Securities Transaction Tax

11.1. Withholding Tax (WHT)

Withholding Tax is an obligation on the payer to withhold tax at the time of making payment under specified heads. FPIs are subject to WHT in terms of their interest income.

11.1.1 Taxation of interest

FPI is liable to pay tax on the interest earned in India at the rates prescribed in the Act or under the tax treaty provisions whichever are more beneficial to it.

WHT of 20% is applicable for interest income. The Finance Act, 2013 provides for a concessional rate of 5% on interest earned on investment in rupee denominated corporate bonds or Government securities by FII / FPIs for the interest payable on or after June 1, 2013 but before June 1, 2015. Since, FIIs are deemed to be FPIs under the Act, the benefits under this provision will be applicable to the FPIs as well. The Finance Act, 2015 has extended the period for the concessional tax rate to interest received upto June 30, 2017.

11.1.2 Taxation of dividend

Indian companies are liable to pay dividend distribution tax at the rate of 15% (plus applicable surcharge and education cess) on the dividends distributed to the shareholder. Such dividends are exempt in the hands of shareholder.

11.2. Capital Gains Tax

Taxation of gain on sale of securities

The Union Budget 2014-15 had clarified that the income arising to FPIs from transactions in securities will be treated as capital gains so as to bring clarity to classification of income earned through portfolio investments irrespective of their fund managers operating from India or outside India.

Accordingly, in order to bring clarity on this issue, an amendment has been made in the Act vide Finance Act, 2014 to include securities issued to FIIs / FPIs (in accordance with the applicable SEBI regulations) under the definition of capital asset. The income earned by an FPI / FII arising from transaction in such securities would be taxed as ‘Capital Gains’.

Further, where shares are held for not more than twelve months, such gain is regarded as short term capital gain; otherwise it is regarded as long term capital gain.

FPI is liable to pay tax on the capital gains earned on sale of shares in India at the rates prescribed in the Act. However, FPI can opt for the provisions of tax treaty, if the same are beneficial.

11.3. Securities Transaction Tax (STT)

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

Securities Transaction Tax for the FY 2015-16

Transaction	Rates	Payable by
Purchase / Sale of equity shares (delivery based)	0.1%	Purchaser & Seller
Purchase of units of equity oriented mutual fund (delivery based)	Nil	Purchaser
Sale of units of equity oriented mutual fund (delivery based)	0.001%	Seller
Sale of equity shares, units of equity oriented mutual fund (non-delivery based)	0.025%	Seller
Sale of an option in securities	0.017%	Seller
Sale of an option in securities, where option is exercised	0.125%	Purchaser
Sale of futures in securities	0.010%	Seller
Sale of unit of an equity oriented fund to the mutual fund	0.001%	Seller

11.4. Tax Rates

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

Tax Rates applicable to FIIs / FPIs investing in India

Assessment Year: 2016-17
Financial Year: April 1, 2015 till March 31, 2016 (including surcharge and cess as applicable)

Nature of Income	Corporate FPIs			Non-Corporate FPIs - e.g. trust	
	Income < 10,000,000	Income > 10,000,000 but < 100,000,000	As per Finance Bill 2015- if net taxable income > 100,000,000	If net taxable income does not exceed INR 10 million	As per Finance Bill 2015- if net taxable income exceeds INR 10 million
Dividends	NIL	NIL	NIL	NIL	NIL
Interest	20.6%	21.012%	21.63%	20.6%	23.072%
Short-term capital gains on equity shares and units of equity oriented funds where STT is applied	15.45%	15.759%	16.222%	15.45%	17.304%
Long-term capital gains on equity shares and units of equity oriented funds where STT is applied	NIL	NIL	NIL	NIL	NIL
Short-term capital gains on securities where no STT is applied	30.9%	31.518%	32.445%	30.9%	34.608%
Long-term capital gains on securities where no STT is applied	10.3%	10.506%	10.815%	10.3%	11.536%

The above rates are inclusive of surcharge and education cess, wherever applicable.

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

11.5. Tax Administration

Payment of applicable taxes, filing of annual returns, Advance Tax procedure and other periodic obligations are required to be discharged by the investors, usually by appointing a Tax Consultant in India as a service provider. Tax consultants also assist clients for application of PAN card and represent the client before the Income Tax Authorities during hearings.

11.6. Advance Tax

Investors who do not wish to repatriate their funds within the financial year, the tax liabilities on capital gains have to be discharged in the form of advance tax payable in installments during the financial year. The tax thus paid is adjusted against the total tax assessable for the respective assessment year. Liability to pay advance tax arises when such tax payable is INR 10,000 or more, effective from FY 2009-10.

The advance tax rates and the intervals at which they are paid are provided below:

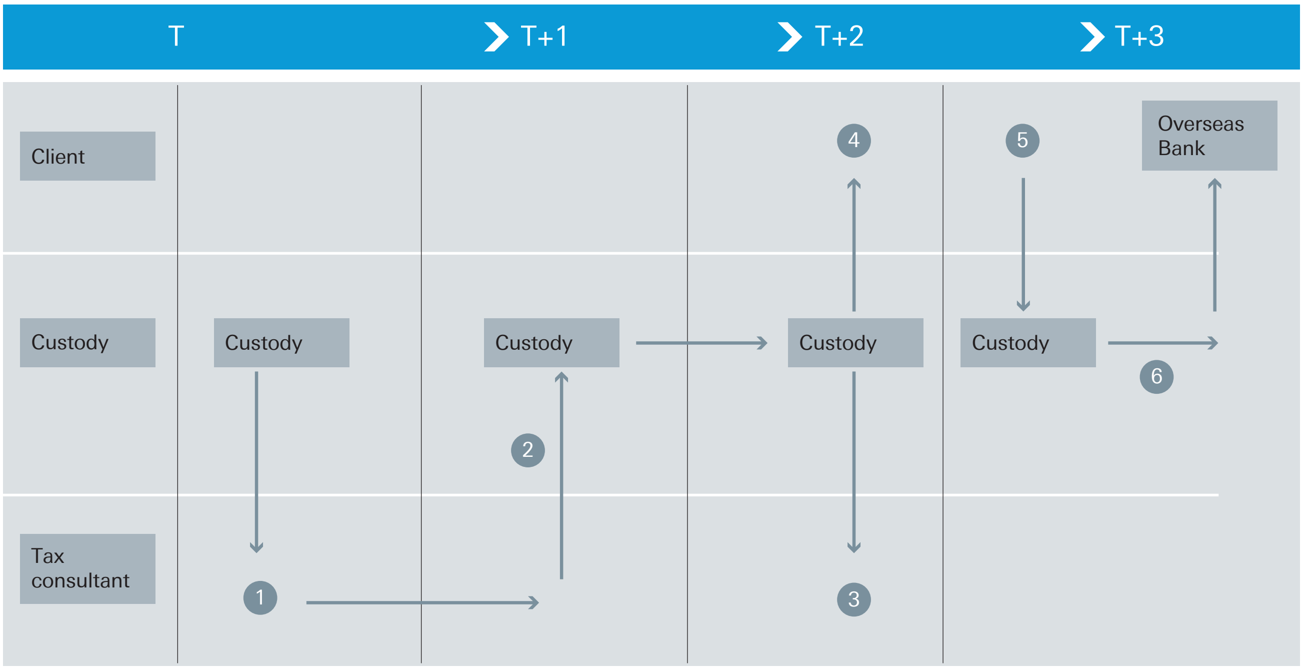
Due Dates	Advance Tax Payable by FIIs / FPIs (Corporates)
By June 15	15% of advance tax
By September 15	45% of advance tax
By December 15	75% of advance tax
By March 15	100% of advance tax
By March 31 (for 15 days from March 15 to March 31)	100% Tax on Income (capital gains and dividend / interest)

Due Dates	Advance tax payable by FIIs / FPIs (Non-Corporate)
By June 15	NIL
By September 15	30% of advance tax
By December 15	60% of advance tax
By March 15	100% of advance tax
By March 31 (for 15 days from March 15 to March 31)	100% tax on Income (capital gains and dividend / interest)

- Taxes are calculated based on trades executed and not settled trades. Therefore all trades executed up to and including the deadlines specified above will be included in the calculation
- At the end of the financial year (March 31), if the tax authorities find that taxes were not paid in accordance with the above schedule, interest @ 1% per month will be charged on such deficiency
- The due dates for filing income tax returns for a financial year are October 31 and July 31 of the following financial year for corporates and non-corporates respectively. If the returns are not filed on or before the due dates, interest @ 1% per month (or part of the month) will be charged on the difference of the tax payable and the advance tax and tax deducted at source. Interest will be charged till the Return of Income for the relevant financial year is filed

11.7. Taxation Flow

Below is an illustrative flow of the taxation process followed prior to remittance of funds and the actual flow may differ.



Legend

1. Custodian reports trade and corporate action transactions to the tax consultant (TC) appointed by the client
2. The TC provides tax computation giving the tax position on the Trades. It may be a payable position or that ‘Nil’ tax needs to be deducted from the sale proceeds
3. Where the tax is payable, the custodian will discharge the tax liability through the ‘Tax paying Bank’ and submit the E-Challan to the TC
4. Credit the net sale proceeds / corporate action receipts to the client’s cash account
5. Custodian receives instructions for repatriation of sale proceeds
6. Repatriate proceeds net of tax to the client’s overseas banker

11.8. Double Taxation Avoidance

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

11.9. Minimum Alternate Tax (MAT)

The President of India has passed the Finance Bill 2015 on May 14, 2015. One of the proposal passed in the Act pertains to MAT wherein it has been clarified that Capital gains from sale of securities as well as interest income, royalties, fees on technical services earned by foreign companies will be exempt from MAT, if the normal tax rate on such income is lower than 18.5%.

Further, the Central Board of Direct Taxes (CBDT) has notified that it will make appropriate amendment to the Income-tax act clarifying the inapplicability of MAT provisions to Foreign Institutional Investors (FIIs) / Foreign Portfolio Investors (FPIs) not having Permanent Establishment (PE) / place of business in India, for the period prior to April 1, 2015.

CBDT has also directed its field officers not to pursue the recovery of outstanding demands, if any, in such cases.

11.10. General Anti Avoidance Rule (GAAR)

The General Anti Avoidance Rule (GAAR) has been deferred in the Union Budget for the fiscal year 2015-16 by two years and will apply prospectively to investments made on or after April 1, 2017, when implemented.

Chapter 12 Reporting Requirements

The table below summarises the reporting requirement under foreign investment routes such as FPI, FDI and FVCI.

Reports	Reporting to	Frequency	Responsibility	Remarks
FPIs:				
Equity and Debt Transaction	SEBI, RBI and Depositories (NSDL, CDSL)	Daily, Monthly	Custodian	
Residual maturity reporting	SEBI RBI	Monthly Weekly	Custodian Custodian	
Debt limit Reporting	Depositories (NSDL, CDSL)	Daily Custodian		To facilitate calculation of daily debt utilisation limits of FPIs. The limits are published at EOD by the depositories on their website
Client wise debt holding	Depositories (NSDL, CDSL)	Monthly	Custodian	
Foreign Exchange inflow and outflow details	RBI	Daily, weekly and monthly	AD Category I Bank	
Details of outstanding forward contracts	RBI	Monthly	AD Category I bank	
Breach of permitted position limits in currency derivative segment	SEBI / RBI	On occurrence of the breach	Custodian	
Reporting under (SAST) Regulations, 2011	— Stock Exchanges where the shares of the target company are listed — The target company at its registered office	On reaching the prescribed threshold of: — 5% or more of the shares of the target company — +/- 2% change in the holding position of the target company Reporting to be done within two working days	FPIs / FIIs / Sub Accounts	
Issuance of ODIs — Transaction Reporting (Equity, Debt and F&O) — Summary Report (As per the prescribed format)	SEBI	Monthly	FPIs issuing the ODIs	

Reports	Reporting to	Frequency	Responsibility	Remarks
FDIs:				
Inflow reporting	RBI	Within 30 days of the receipt of consideration	Indian company through its AD Category I Bank	Copy of FIRC and KYC report of the foreign entity also to be provided
Issuance of shares (Form FC-GPR)	RBI	To be filed within 30 days from the date of issue of shares	AD Category I Bank of the Indian company receiving funds	
Transfer of Shares (Form FC-TRS)	RBI	To be filed within 60 days from the date of the receipt of consideration	Resident transferor/ transferee through its AD Category I Bank	Form FC-TRS needs to be signed by the non-resident
FVCIs:				
Foreign exchange Inflow and outflow reporting in prescribed format	RBI	Monthly	FVCI through its AD Category I Bank	Within 10th of the next month for previous month
Details of investment in permitted sectors as per the prescribed format	RBI	Monthly	FVCI through its AD Category I Bank	Within 10th of the next month for previous month
Online filing of investment details in permitted sector	SEBI	Quarterly	FVCI	Within three working days from the end of the previous quarter

Annexure 1 Application Format for FPI Registration

Annexure 1.1. Form A

FIRST SCHEDULE

FORMS

FORM A

SECURITIES AND EXCHANGE BOARD OF INDIA (FOREIGN PORTFOLIO INVESTORS) REGULATIONS, 2014

[See regulation 3(2) and regulation 8]

Application Form for Grant of Certificate of Registration as Foreign portfolio investor (FPI)

1.0 Details of the Applicant:

1.1 Name of the applicant

1.2 Address of the Applicant:

Address			
Postal Code		Country	
Telephone No.		Fax No	
Web-site			

1.3 Date of Birth/ incorporation/establishment/formation:

dd/mm/yyyy

1.4 Place and Country of Birth/ incorporation/establishment / formation:

Place		Country	

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

Nationality		Passport No.	

1.5 Legal form of the applicant and the law under which it is incorporated, established or registered, if any: (not applicable to individuals)

1.6 Brief description of the principal activities: (not applicable to individuals):

1.7 Name and Brief description of the group, if any, to which the applicant belongs: (not applicable to individuals)(if applicable):

1.8 Information pertaining to the Compliance officer (not applicable to individuals):

Name			
Job Title			
Telephone no		Fax No.	
E-mail Id			

2.0 Category of the applicant

2.1 Classification of applicant (please select the most appropriate category)*

Type of Category	**Name of Category (Please select only the most appropriate out of the categories specified)**
Category-I	
Category-II**	
Category-III	

**The applicant should select only one category, which is most appropriate for it. If the applicant selects more than one category or selects an incorrect category, the application form shall be deemed to be defective and is liable to be rejected. The brief description for the above categories is given below for guidance:*

***To indicate the name of the investment manager, if the applicant belongs to Category II (proviso to clause c) mentioned in the table below. In such case, the investment manager shall undertake that it shall be responsible and liable for all acts of commission and omission of all its underlying broad based funds and other deeds and things done by such broad based funds under these regulations:*

Category	Eligible Foreign Investors
I	Government and Government related investors such as Central Banks, Governmental Agencies, Sovereign Wealth Funds, International/Multilateral Organizations/ Agencies
II	a) Appropriately regulated broad based funds such as Mutual Funds, Investment Trusts, Insurance/Reinsurance Companies. b) Appropriately regulated entities such as Banks, Asset Management Companies, Investment Managers/ Advisors, Portfolio Managers. c) Not appropriately regulated broad based funds whose investment manager is appropriately regulated and is registered on behalf of the Board by the designated depository participant as Category II foreign portfolio investor: Provided that the investment manager shall be responsible and liable for all acts of commission and omission of all its underlying broad based funds and other deeds and things done by such broad based funds under these regulations. d) University Funds and Pension Funds e) University related Endowments already registered with SEBI as FII/Sub Account
III	All other FPIs not eligible under Category I and II such as Endowments, Charitable Societies/ Trust, Foundations, Corporate Bodies, Trusts, Individuals, Family Offices.

2.2 Information regarding foreign investor groups

S No.	Name of the reporting Entity	Registration no. of reporting entity	Name of foreign portfolio investor with whom the applicant shares common end beneficial owners	Registration no. of foreign portfolio investor	Demat Account No. of foreign portfolio investor mentioned at col. C
A	B	C	D	E	F

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

3.1 Contact details:

Name			
Country		Web-site	

3.2 Registration Number/Code, If any:

4.0 Disciplinary History

Whether there has been any instance of violation or non-adherence to the securities laws, code of ethics/conduct, code of business rules, for which the applicant, or its parent / holding company or affiliate may have been subjected to economic or criminal liability or suspended from carrying out its operations or the registration, has been revoked, temporarily or permanently.

☐ Yes ☐ No

If yes, please furnish details in annexure

5.0 Details of the designated depository participant, custodian of securities and designated bank appointed

5.1 Details of the DDP

Name	Deutsche Bank AG
Date of SEBI approval	

5.2 Details of Custodian of Securities

Name	
SEBI Registration number of custodian of securities	

5.3 Details of designated bank:

Name of the Bank and Branch	
Address	

6.0 Details of prior association with the Indian securities market.
(This section not applicable to individuals)

6.1 Whether the applicant was anytime registered as FII or Sub-account with the Securities and Exchange Board Of India

☐ Yes ☐ No

If yes, then please provide details:

Name of the entity	Registered as	SEBI Registration No.	Period of registration	
			From	To
			dd/mm/yyyy	dd/mm/yyyy

7.0 Declaration and Undertaking.

We declare that:

a. We are authorized to make investments in India.
b. The income and the source of funds of the applicant is from known and legitimate sources.
c. The applicant is not a non-resident Indian.
d. The applicant did not make any other application for grant of registration as foreign portfolio investor with any other designated depository participant.
e. No winding up orders have been passed against the applicant.
f. No order suspending or debarring the applicant from permanently carrying on activities in the financial sector has been passed by any regulatory authority.
g. No order withdrawing or refusing to grant any license/approval to the applicant which has a bearing on the securities market has been passed by any authority in the preceding five years.
h. Any penalty imposed (including monetary penalty) by any regulatory authority has been undergone or paid.
i. The information supplied in the application, including the attached sheets, is complete and true.

Undertaking.

We undertake to:

1. Notify any change in the information provided in the application promptly.
2. Abide by operational instructions/ directives as may be issued by Securities and Exchange Board of India, Reserve Bank of India or any other authority from time to time under provisions of the Act or any other law for the time being in force.

For and on behalf of applicant

Signature of Authorized Signatory	
Name	
Designation (not applicable to individual persons)	
Date	Dd/mm/yyyy

Annexure 1.2. Guidance Note for completing Form A

This guidance note has been prepared by Deutsche Bank India with a view to facilitate foreign investors to complete the Form A i.e. FPI application form, which is applicable for all new FPI registrations starting from June 1, 2014.

Section reference	Information required in Form A	Guidance comments
1	Applicant Details	
1.1	Name of the Applicant	The applicant needs to input the name as captured in the incorporation document
1.2	Address of the Applicant	The applicant needs to mention his registered address
1.3	Date of Birth / Incorporation / Establishment / Formation	The applicant needs to provide the date on which the applicant was incorporated or set up
1.4	Place and Country of Birth / incorporation / establishment / formation In case of Foreign Individual applicant, please specify the nationality and passport no. of the applicant	The applicant needs to provide the place and country where the applicant is incorporated or set up The individual applicant needs to specify his nationality and passport no. Institutional clients can enter 'N.A.'
1.5	Legal form of the applicant and the law under which it is incorporated, established or registered (if applicable)	The applicant needs to mention its legal constitution and the law under which it is registered e.g. Limited liability partnership, Public limited company, Private company etc.
1.6	Brief description of the principal activities	The applicant needs to briefly indicate the nature of business carried out by him (not applicable to individuals)
1.7	Name and Brief description of the group, if any, to which the applicant belongs (if applicable)	The applicant needs to provide the Name and Brief description of the Group
1.8	Information pertaining to the Compliance officer	The applicant needs to specify the details of the person who will be responsible for regulatory compliance of the applicant. Compliance officer is the primary contact for any formal communication from local regulatory authorities and / or DDP

2	Category of the Applicant	
2.1.	Type of Category (I / II / III)	The applicant should select only one category, which is most appropriate for it. If the applicant selects more than one category or selects an incorrect category, the application form shall be deemed to be defective and is liable to be rejected Category determination is important and shall affect subsequent documentation requirements and downstream operating rules. Applicants are requested to consider carefully before applying in selected category. Applicants should indicate the relevant type of entity (from the table provided in Form A) in the box specifying category. e.g. An applicant operating as a Sovereign Wealth Fund should mention, 'Sovereign Wealth Fund' in the Category I box in Form A In case the applicant falls in Category III but wants to claim Category II status based on Category II status of its investment manager (includes investment manager or investment advisor or trustee), then the name and FPI registration number of such investment manager should be mentioned in the space provided opposite Category II in Form A. The required declaration and undertaking from such investment manager, along with a copy of the FPI Registration certificate of the investment manager should be attached with Form A as Annexure
	Information regarding foreign investor groups	Instructions for providing investor group information: — FPIs shall provide details of all entities having, direct or indirect common shareholding / beneficial ownership / beneficial interest, of more than 50%, as a part of their group, and also registered or filed their application as FPI — The common beneficiary owner(s) shall be identified on the basis of — shareholding — voting rights — any other forms of control, in excess of 50%, across FPIs, if any (including existing FII / Sub accounts)

3	Details of Regulatory authority by which the applicant is regulated (if applicable)	
3.1. Contact	details	The applicant needs to mention the details of the Regulatory authority under which they are governed. For this purpose, appropriate regulatory authority is either Securities Market regulator or Central Bank (in case of a Bank as applicant)
3.2.	Registration Number / Code (if any)	The applicant needs to mention their registration number with the Regulator
4 Disciplinary	History	
4.1.	Whether there has been any instance of violation or non-adherence to the securities laws, code of ethics / conduct, code of business rules, for which the applicant, or its parent / holding company or affiliate may have been subjected to economic or criminal liability or suspended from carrying out its operations or the registration, has been revoked, temporarily or permanently (Yes / No)	If Yes, furnish details in annexure Please do not mention 'Not Applicable' under this section
6	Details of prior association with the Indian securities market	
6.1.	Whether the applicant was anytime registered as FII or Sub-account with the Securities and Exchange Board of India (Yes / No)	If Yes, furnish details in the table provided in Form A ‘From’ Field in table: Refers to the date of SEBI approval letter for the FII/Sub Account ‘To’ Field in table: Refers to the date of SEBI cancellation letter for the FII/Sub Account Please do not mention 'Not Applicable' under this section

Annexure 2 Documentation Requirements for FPI Registration

FPI Registration Application Documentation		
Application to DDP (Form A)	Original FPI Form A	Ref Annexure 1.1
	Guidance Note for completing the application Form A	Ref Annexure 1.2
Standard Declaration / Undertakings to be submitted to DDP	Original (on the letterhead of the FPI) SEBI has issued standard declaration undertakings that need to be submitted by the FPI	Ref Annexure 2.1
Additional Registration documents	These documents will form part of the FPI Registration application	Ref Annexure 2.2

Conversion from FII / Sub-account to FPI

Existing FIIs have the option of applying for conversion and renewal at the same time or they have the option of converting to FPI prior to expiry of their existing registration

For Conversion from the existing FII / Sub-account regime to FPI, the applicant will be required to submit:

— Full documentation as mentioned under this section
— Request letter for conversion
— Conversion fees of USD 1,000

Renewal of FPI Registration	
Submissions for Renewal	For renewal the FPI will need to submit — Covering letter for renewal of FPI registration three month prior to registration expiry date — Fees (as per the category in which it is registered) — The undertaking confirming no changes in any information submitted to SEBI / DDP will form part of the covering letter — Protected Cell Company (PCC) / Multi-class Vehicles (MCV) declaration — Common Beneficial Owner (CBO) declaration
Regulatory Approval	To be issued by DDP on behalf of SEBI
Timeframe	FPI Approval - 30 days from the date of receipt of application or after the information called for has been furnished, whichever is later

KYC Documentation		
Standard KYC forms	Standard KYC form announced by SEBI	Ref Annexure 2.3
Other KYC document requirements	Supporting documents for completion of KYC and account opening	Ref Chapter 6

Annexure 2.1 Standard Declaration and Undertaking

Declaration cum Undertaking from the Foreign Portfolio Investor to be given to Designated Depository Participant

Date

To

Designated Depository Participant

Dear Sir/ Madam,

[Entity name] ("the Applicant"/ "I"/ "We") is/are applying for registration as Foreign Portfolio Investor ("FPI") in accordance with the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014. *In connection with the above, please find attached our FORM A (Application Form) for*

☐ Grant of Certificate of Registration as FPI **or**

☐ Conversion from our existing Foreign Institutional Investor / Sub – Account / Qualified Foreign Investor to FPI

I/We have read and understood the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014, its Operating Guidelines, circulars issued thereunder and any other terms and conditions specified by SEBI from time to time ("FPI Regulations"*)* and I/We hereby declare that I/we fulfill the eligibility criteria under the FPI Regulations and I/we am/are eligible to register as a FPI. In compliance with the requirements of the FPI Regulations, the Applicant hereby declares/ undertakes the following:

1) I/We am/are a person not resident in India [as per the Indian Income Tax Act, 1961].
2) I/We am/are resident in _________ (country name), a country whose

☐ Securities market regulator _________________________ (name of the regulator) is a signatory to International Organization of Securities Commission's *(IOSCO's)* Multilateral Memorandum of Understanding *(MMoU) (Appendix A Signatories* or a signatory of a bilateral Memorandum of Understanding (MoU) with SEBI (bilateral MoU between SEBI and the overseas regulator that inter alia provides for information sharing arrangements) **or**

☐ Central bank ____________ (name of the central bank) is a member of Bank for International Settlements (Applicable only if the applicant is a bank).

3) I/We am/are not resident in a country identified in the public statements issued by Financial Action Task Force (FATF) as:-

   (I) *a* jurisdiction having a strategic Anti-Money Laundering/ Combating the Financing of Terrorism *(AML/CFT)* deficiencies to which counter measures apply, or

   (II) *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.*

4) I/We am/are legally permitted to invest in securities outside my country of incorporation or establishment or place of business.

5) I/We am/are authorized by our Memorandum of Association and Articles of Association or equivalent document(s) or the agreement to invest on my/ our own behalf or on behalf of my/ our clients.

6) I/ We have sufficient experience, good (investment) track record, am/ are professionally competent (to invest in India) and financially sound and there are no instances or cases (either with regulators, courts, investors, etc.) where it has been concluded that I/ we have reflected lack of fairness and integrity.

7) I/We am/are fit and proper person [as per the Schedule II of the SEBI (Intermediaries) Regulations, 2008].

8) I/ We shall forthwith (and not later than six months or such lower period as may be prescribed by SEBI from time) inform SEBI and you in writing:

   a) If any information or particulars previously submitted to SEBI or you are found to be false or misleading, in any material respect.

   b) If there is any material change in the information previously furnished by me/ us to SEBI or you. Such material change may include but not limited to any direct or indirect change in control, change in regulatory status, merger, demerger or restructuring, change in category, change in structure/ beneficial ownership etc. I/we understand that any such change may result in re-assessment of our FPI registration.

   c) 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 me/ us.

9) I/ We shall as and when required by SEBI or any other government agency in India, submit any information, record or documents in relation to my/ our activities as a FPI.

10) I/ We confirm that we have not been restricted or constrained by local regulators / court order / etc. from investing in our home country and or in any overseas jurisdiction.

11) I/ We shall, in relation to my/ our activities as FPI, at all times, comply with and subject myself/ ourselves to the extant Indian laws, rules, regulations (including FPI and FEMA regulations), circulars, guidelines issued and any other terms and conditions specified by SEBI, RBI or any other regulators from time to time.

12) I/ We shall provide any additional information or documents or declarations and undertakings as may be required by you to ensure compliance with the Prevention of Money Laundering Act, 2002 and rules and regulations prescribed thereunder, FATF standards and circulars issued from time to time by SEBI, RBI or any other regulators from time to time.

13) I/ We do not have any opaque structure which means and includes structures such as protected cell company, segregated cell company or equivalent, where the details of the ultimate beneficial owners are not accessible or where the beneficial owners are ring fenced from each other or where the beneficial owners are ring fenced with regard to enforcement. In case of change in structure/ constitution/ addition of classes of shares, your prior approval shall be taken. ***(Ultimate beneficial owner shall be as provided under the Master circular on Anti Money Laundering Standards or Combating the Financing of Terrorism, issued by SEBI from time to time)***.

OR

We are required by our regulator or pursuant to a law to ring fence our assets and liabilities from other funds/ sub funds and we declare that

(a) I/ We am/ are regulated in my/ our home jurisdiction and

(b) each of my/our fund or sub fund satisfies broad based criteria; and

(c) I/ We undertake to provide information regarding my/ our beneficial owners as and when sought by SEBI. In case of change in structure/ constitution/ addition of classes of shares, prior approval of DDP shall be taken.

14) I/ We do not have any depository account and shall not open more than one depository account as FPI or as a non-resident Indian.

15) I/We confirm that

☐ a. I /We am/are existing FII/ QFI/ sub-account and our registration number is _____.

☐ b. I/We have never applied for nor had our application rejected anytime as FII/ QFI or sub-account or FPI.

☐ c. I/ We have applied for FII/ QFI/ sub-account/ FPI and our application was rejected for the following reasons:

………………………………………………………………………………

16) The location where my/ our books of account, records and documents, as required under FPI Regulations, will be kept and maintained is _________________ and I/ We shall forthwith inform you of any change to the same.

17) Equity shares held by me/ us re and shall be free from all encumbrances.

18) The aforesaid declarations/undertakings and the information provided in the Form A are true and correct. I/We further understand and agree that I/we shall be solely responsible for all consequences arising out of either the declarations/ undertakings being false or for any breach of the declarations/undertakings and hold the Depository and the Designated Depository Participant harmless for relying on such declarations, undertakings and information and agree to indemnify them for any losses, costs, damages, charges (including reasonable legal fees and disbursements), levies, penalties, taxes or interest that they may incur due to reliance on such information and/ or this declaration/ undertaking.

19) The FPI shall take steps as prescribed by depositories to bring back the holdings within the stipulated investment limit within the prescribed time period, if the aggregate holdings belonging to the investor group of which it is a part exceeds the stipulated limit.

Date:

Place:

(Signature block for Applicant)

Signature(s) of Authorised Person(s)

APPLICABLE ONLY FOR FUNDS SEEKING REGISTRATION UNDER CATEGORY II

A. APPROPRIATELY REGULATED ***(Please complete either (i) or (ii) and strike off the other)***

(i) We declare that we are appropriately regulated or supervised by the securities market regulator of our jurisdiction in the same capacity in which we propose to make investments in India

OR

(ii) We are not appropriately regulated or supervised by the securities market regulator of our jurisdiction but our investment manager (name and FPI registration number of the investment manager) is appropriately regulated and is registered as a Category II FPI and they provide the below undertaking.

B. BROAD BASED CRITERIA ***(Please complete either (i) or (ii) and strike off the other)***

(i) APPLICANT MEETING THE BROAD BASED CRITIERA We are a Broad Based Fund (as per FPI Regulations) established/ incorporated outside India and have atleast 20 investors (including all direct and underlying investors on a look through basis) (for the purpose of ascertaining the total number of investor in the fund, only those underlying investors which have been set up for the sole purpose of pooling funds and making investments should be considered).

Details of all direct investors in the fund are given below.

Serial No.	*Generic Type of Investors	No. of Investors	If pooling vehicle, mention number of investors	Percentage of Holding(1)
Total Corpus of the Fund (USD / GBP/ EUR)				

*Generic types of investors include Mutual Funds, Investment Trusts, Pension Funds, Insurance, Collective Investment Schemes, Endowments, Charitable Trusts, Corporates, Individuals, etc.

(1) In case any institutional investor holds more than 49%, then details of the generic type of investors for each such institutional investor needs to be provided in the table below (add additional tables if needed)

Serial No.	*Generic Type of Investors	No. of Investors	If pooling vehicle, mention number of investors	Percentage of Holding(1)
Total Corpus of the Fund (USD / GBP/ EUR)				

*Generic types of investors include Mutual Funds, Investment Trusts, Pension Funds, Insurance, Collective Investment Schemes, Endowments, Charitable Trusts, Corporates, Individuals, etc.

OR

(ii) APPLICANT NOT MEETING THE BROAD BASED CRITIERA (CONDITIONAL REGISTRATION)

I/ We am/are a newly incorporated/ established entity and seek to register myself/ ourselves as a broad based fund under Category II, however we do not satisfy the broad based criteria at the time of making this application. In compliance with the requirements for grant of conditional registration, we hereby undertake invest at least 5% of the corpus of the fund in to India and we shall comply with the broad based criteria within 180 days of grant of registration.

(Signature block for Applicant)

Signature(s) of Authorised Person(s)

Date:

Place:

We (name of the **<u>Investment Manager</u>**) having FPI registration No. (FPI registration number) are the investment manager to (name of the Applicant) and we undertake that we shall be responsible and liable for all acts of commission and omission of (name of the Applicant) and other deeds and things done by them under these regulations.

To be signed by Investment Manager if the FPI not appropriately regulated but the investment manager is appropriately regulated and is registered as a Category II FPI and they are responsible and liable for all acts of commission and omission of the FPI and other deeds and things done by them under these regulations.

(Signature block for Investment Manager)

Signature(s) of Authorised Person(s)

Date:

Place:

[On the letterhead of the FPI] (Refer April 2010 Circular of SEBI – PCC/MCV declaration)

Date:

To,

Designated Depository Participant

Dear Sir,

Please refer below for the requisite declarations and undertakings for [Please mention name of the FPI].

<u>Declarations</u>

Please tick (☑) whichever applicable.

☐ (a) The applicant declares that it is not a Protected Cell Company (PCC) or Segregated Portfolio Company (SPC) and does not have an equivalent structure by whatever nomenclature.

☐ (b) The applicant declares that it is not a Multi Class Share Vehicle (MCV) by constitution and does not have an equivalent structure by whatever nomenclature. It contains only single class of share.

☐ (c) The applicant declares that it is a MCV by constitution and has more than one class of shares or has an equivalent structure and that a common portfolio is maintained for all classes of shares and satisfies broad based criteria

OR

☐ (c) A segregated portfolio is maintained for separate classes of shares wherein each such class of shares are in turn broad based.

<u>Undertakings</u>

In case the applicant is/ proposed to be a MCV or an equivalent structure and have more than one class of shares.

We undertake that:

(a) Common portfolios shall be allocated across various share classes and it shall be broad based;

OR

(a) If portfolios are segregated for each distinct share class, then each such share class shall satisfy the broad based criteria;

(b) In case of change in structure/ constitution/ addition of classes of shares, prior approval of DDP shall be taken;

(c) In case of any addition of share classes, it shall follow the criteria at (a) above.

____

Signature(s) of Authorized Person(s)[Please mention name of the FPI]

Annexure 2.2 Additional Registration Documents

Document	Signing Authority
Memorandum and Articles of Association or any other equivalent formation document	— To be certified by the authorised signatory as per ASL along with Company Stamp / Seal, Name and Date — To be Notarised by a Notary Public OR certified by a Foreign Multi National Bank (Certification should bear the Name, Date and Designation)
Copy of FII / FPI Registration Certificate of Investment Manager (if applicable)*	To be certified by the authorised signatory along with Company Stamp / Seal, Name and Date
Investment Management Agreement (if applicable)*	To be certified by the authorised signatory along with Company Stamp / Seal, Name and Date

*Required for unregulated FPI Applicant intending to seek registration under Category II based on the Category II status of its Investment Manager needs to provide the said documents

Annexure 2.3 Standard KYC form

PART I - KNOW YOUR CLIENT (KYC) APPLICATION FORM (For Non-Individuals)

Annexure – K ☐ **NEW** ☐ **MODIFICATION**

Photograph

Please affix the recent passport size photograph and sign across it

Please fill this form in ENGLISH and in BLOCK LETTERS

A. IDENTITY DETAILS					
1	Name of the Applicant				
2	Date of incorporation	D D M M Y Y Y Y	Place of incorporation		
3	Date of commencement of business			D D M M Y Y Y Y	
4	a) PAN		b) Registration No. (e.g. CIN)		
5	**Status (please tick any one):**				

☐ Private Limited Co.
☐ Public Ltd. Co.
☐ Body Corporate
☐ Trust
☐ Charities
☐ NGO's
☐ FPI – Category I
☐ Others (please specify) ____________
☐ Bank
☐ Government Body
☐ Non Government Organization
☐ Defense Establishment
☐ Society
☐ LLP
☐ FPI - Category II
☐ Partnership
☐ FI
☐ FII
☐ HUF
☐ AOP
☐ BOI
☐ FPI - Category III

B. ADDRESS DETAILS					
1	Correspondence Address				
		City/town/village		PIN Code	
		State		Country	
2	Specify the proof of address submitted for correspondence address				
3	Contact Details	Tel. (Off.)		Tel. (Res.)	
		Fax No.		Mobile No.	
		Email ID			
4	Registered Address (if different from above):				
		City/town/village		PIN Code	
		State		Country	

5	Specify the proof of address submitted for registered address	

C.OTHER DETAILS

1	Name, PAN, residential address and photographs of Promoters/Partners/Karta/Trustees and whole time directors:	(Details to be completed in the Annexure (Page 3)
2	DIN/UID of Promoters/Partners/Karta and whole time directors:	

D. DECLARATION

I/We hereby declare that the details furnished above are true and correct to the best of my/our knowledge and belief and I/we undertake to inform you of any changes therein, immediately. In case any of the above information is found to be false or untrue or misleading or misrepresenting, I am/we are aware that I/we may be held liable for it.

Name & Signature of the Authorised Signatory(ies) **Date** D D M M Y Y Y Y

==

FOR OFFICE USE ONLY

☐ (Originals verified) True copies of documents received

☐ (Self-Attested) Self Certified Document copies received

Signature of the Authorised Signatory		**Seal/Stamp of the intermediary**
Date	D D M M Y Y Y Y	

Details of Promoters/ Partners/ Karta / Trustees and whole time directors forming a part of Know Your Client (KYC) Application Form for Non-Individuals

Sr. No.	Full Name of Senior Management (Whole Time Directors / Trustees / Partners)	Date of Birth	Nationality
1			
2			
3			
4			
5			

Name & Signature of the Authorised Signatory(ies)	Date	D	D	M	M	Y	Y	Y	Y

Annexure – K

PART II – ACCOUNT OPENING FORM (*FOR NON-INDIVIDUALS*)

Participant Name –	**Client –ID** (To be filled by Participant)

We request you to open a depository account in our name as per the following details: (*Please fill all the details in CAPITAL LETTERS only*)	**Date**

A) Details of Account holder(s):

	Name	PAN
Sole/ First Holder		
Second Holder		
Third Holder		

B) **Type of account**

- ☐ Body Corporate
- ☐ FI
- ☐ FII
- ☐ Qualified Foreign Investor
- ☐ Mutual Fund
- ☐ Trust
- ☐ Bank
- ☐ CM
- ☐ Other (Please specify)

C)

Correspondence Address				
	City/town/village		PIN Code	
	State		Country	
Contact Details	Tel. (Off.)		Tel. (Res.)	
	Fax No.		Mobile No.	
	Email ID			

D) For HUF, Partnership Firm, Unregistered Trust, Association of Persons (AOP) etc., although the account is opened in the name of the karta, partner(s), trustee(es) etc., the name & PAN of the HUF, Partnership Firm, Unregistered Trust, Association of Persons (AOP) etc., should be mentioned below:

a) Name		b) PAN	

E) **In case of FIIs/Others (as may be applicable)**

RBI Approval Reference Number	
RBI Approval date	
SEBI Registration Number (for FIIs)	

F) **Bank details**

1	Bank account type	☐ Savings Account ✓ Current Account ☐ Others (Please specify) ____________			
2	Bank Account Number				
3	Bank Name				
4	Branch Address				
		City/town/village		PIN Code	
		State		Country	
5	MICR Code				

G)

6	IFSC	

H) **Clearing Member Details** (to be filled up by Clearing Members only)

1	Name of Stock Exchange	
2	Name of Clearing Corporation/ Clearing House	
3	Clearing Member ID	

	4	SEBI Registration Number	
	5	Trade Name	
	6	CM-BP-ID **(to be filled up by Participant)**	
I)	**Standing Instructions**		
	1	We authorize you to receive credits automatically into our account.	☐ Yes ✔ No
	2	Account to be operated through Power of Attorney (PoA)	✔ Yes ☐ No
	3	**SMS Alert facility**	

Sr. No.	**Holder**	**Yes**	**No**
1	Sole/First Holder	☐	☐
2	Second Holder	☐	☐
3	Third Holder	☐	☐

I)	4	Mode of receiving statement of Account	☐ - Physical Form ☐ - Electronic Form (Email / SWIFT)

I. OTHER DETAILS

1 Gross Annual Income Details (please specify): Income Range per annum

☐ Below ₹ 1 lac
₹ 1- 5 lac
₹ 5- 10 lac
₹ 10- 25 lac
₹ 25 lac- 1 crore
☐ More than ` 1 crore

2 Networth

Amount (₹) ____________________

As on (date) | D | D | M | M | Y | Y | Y | Y |

(Networth should not be older than 1 year)

Declaration

The rules and regulations of the Depository and Depository Participants pertaining to an account which are in force now have been read by us and we have understood the same and we agree to abide by and to be bound by the rules as are in force from time to time for such accounts. We hereby declare that the details furnished above are true and correct to the best of our knowledge and belief and we undertake to inform you of any changes therein, immediately. In case any of the above information is found to be false or untrue or misleading or misrepresenting, we are aware that we may be held liable for it.

We undertake that we shall comply with the provisions of the Foreign Exchange Management Act 1999 ("Act"), including any directions, regulations, notifications, circulars etc. issued there under and any amendments made to the Act from time to time.

We confirm that in the event of any requirement/enquiry from law enforcement agencies, exchanges or regulators, copies of the relevant customer documents and KYC details as prescribed/ requested by the applicable Indian regulators shall be provided without delay.

Authorised Signatories (Enclose a Board Resolution for Authorised Signatories)

Sole/First Holder	**Name**	**Signature(s)**
First Signatory		X
Second Signatory		X
Third Signatory		X

Other Holders		
Second Holder		X
Third Holder		X

Mode of Operation for Sole/First Holder (In case of joint holdings, all the holders must sign)	
☐ Any one singly	
☐ Jointly by	
☐ As per resolution	
☐ Others (please specify)	**DB POA**

Notes:

1. In case of additional signatures, separate annexures should be attached to the application form.
2. Thumb impressions and signatures other than English or Hindi or any of the other language not contained in the 8th Schedule of the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate.
3. For receiving Statement of Account in electronic form:
   I. Client must ensure the confidentiality of the password of the email account.
   II. Client must promptly inform the Participant if the email address has changed.
   III. Client may opt to terminate this facility by giving 10 days prior notice. Similarly, Participant may also terminate this facility by giving 10 days prior notice.
4. Strike off whichever is not applicable.

================= ==

Acknowledgement

Participant Name, Address & DP ID

Received the application from M/s__________________________ as the sole/first holder alongwith ____________________________ and ______________________________ as the second and third holders respectively for opening of a depository account. Please quote the DP ID & Client ID allotted to you (CM-BP-ID in case of Clearing Members) in all your future correspondence.

Date: | D | D | M | M | Y | Y | Y | Y |

Participant Stamp & Signature

Annexure 3 List of useful reference links (in alphabetical order)

Bank for International Settlements	http://www.bis.org
Bombay Stock Exchange (BSE)	http://www.bseindia.com
CDSL Ventures Limited (CVL)	http://www.cvlkra.com
Central Depository Services Limited (CDSL)	https://www.cdslindia.com
Department of Industrial Policy & Promotion	http://dipp.nic.in
Financial Action Task Force	http://www.fatf-gafi.org
Indian Clearing Corporation Limited (ICCL)	http://www.icclindia.com
International Organisation of Securities Commissions (IOSCO)	http://www.iosco.org
Ministry of Finance	http://finmin.nic.in
National Securities Depository Limited (NSDL)	https://www.nsdl.co.in
National Stock Exchange (NSE)	http://www.nseindia.com
NSDL Database Management Limited (NDML)	http://kra.ndml.in
Press Information Bureau	http://pib.nic.in
Reserve Bank of India (RBI)	http://www.rbi.org.in
Securities and Exchange Board of India (SEBI)	http://www.sebi.gov.in
The National Securities Clearing Corporation Ltd. (NSCCL)	http://www.nse-india.com/supra_global/content/nsccl/about_nsccl.htm

Annexure 4 Key Contacts (in alphabetical order)

Market Infrastructure Entities

Bombay Stock Exchange (BSE)	Name: Mr. V. Soundararajan Designation: Head – Sales, BSE Email: soundararajan.v@bseindia.com Phone: +91-22-22728270
Central Depository Services Ltd (CDSL)	Name: Ms. Nayana Ovalekar Designation: Senior Vice President Email: nayana@cdslindia.com Phone: +91-22-66341855 Name: Mr. Yogesh Kundnani Designation: Vice President Email: yogeshk@cdslindia.com Phone: +91-22-22728694
CDSL Ventures Limited (CVL)	Name: Mr. Cyrus Khambata Designation: Managing Director Email: cyrus@cdslindia.com Phone: +91-22-22728609
National Securities Depository Limited (NSDL)	Name: Mr. Samar Banvat Designation: Senior Vice President Email: samarb@nsdl.co.in Phone:+91-22-24994590 Name: Mr. Prashant Vagal Designation: Senior Vice President Email: prashantv@nsdl.co.in Phone: +91-22-24994481
National Stock Exchange (NSE)	Name: Mr. Ravi Varanasi Designation: Chief - Business Development Email: raviv@nse.co.in Phone: +91-22-26598225 Name: Ms. Huzan Mistry Designation: Chief - Business Development Currency & Interest Rates Email: hmistry@nse.co.in Phone: +91-22-26598333 Name: Mr. Nagendra Kumar Designation: Head - Equity & Equity Derivatives Email: nagendrak@nse.co.in Phone: +91-22-26598296
NSDL Database Management Limited (NDML)	Name: Sameer Gupte Designation: Senior Vice President Email: sameerg@nsdl.co.in Phone: +91-22-49142505

Tax Agents / Consultants

BMR & Associates LLP	Name: Russell Gaitonde Designation: Partner Email: Russell.Gaitonde@bmradvisors.com Phone: +91-22-61357000 / 7045
Deloitte, Haskins & Sells	Name: Rajesh H Gandhi Designation: Partner Email: rajegandhi@deloitte.com Phone: +91-22-61854380
Ernst & Young	Name: Tejas Desai Designation: Partner Email: tejas.desai@in.ey.com Phone: +91-22-61920710
Grant Thornton India LLP	Email: fiigttax@in.gt.com Phone: +91-22-66262600 / 2650
G.M.Kapadia & Co	Name: Harsh Shah Email: harsh@gmko.com Phone: +91-22-66116611
KPMG	Name: Naresh Makhijani Designation: Partner, Head of Financial Services Sector Email: nareshmakhijani@kpmg.com Phone: +91-22-30902120
Manohar Chowdhry & Associates	Name: Ameet Patel Designation: Partner Email: ameet.patel@mca.co.in Phone: +91-22-24445064
Minesh Shah & Co	Name: Malav Shah Designation: Partner Email: malav@mineshshah.com Phone: +91-22-40044600 / 4603
PricewaterHouse Coopers	Name: Suresh Swamy Designation: Partner, Financial Services Email: suresh.v.swamy@in.pwc.com Phone: +91-22-61198053
SKP & Co	Name: Maulik Doshi Designation: Partner Email: maulik.doshi@skparekh.com

Annexure 5 List of abbreviations used in the book

Abbreviation	Full word
ADR	American Depository Receipt
ARC	Asset Reconstruction Companies
AD	Authorised Dealer
BSE	Bombay Stock Exchange
CP	Commercial Paper
CIS	Collective Investment Scheme
CSGF	Core Settlement Guarantee Fund
CSGL	Constituents' Subsidiary General Ledger Account
CCIL	Clearing Corporation of India Limited
CDSL	Central Depository Services (India) Limited
CCPs	Central Counterparties
CC	Clearing Corporation
CM	Clearing Members
DR	Depository Receipts
DDP	Designated Depository Participant
DEA	Department of Economic Affairs
DCA	Department of Company Affairs
ECM	Exchange Control Manual
ELM	Extreme Loss Margins
ETF	Exchange Traded Funds
FEMA	Foreign Exchange Management Act
FCEB	Foreign Currency Exchangeable Bonds
FII	Foreign Institutional Investors
FI	Financial Institutions
FPI	Foreign Portfolio Investors
F&O	Futures & Options
FD	Fixed Deposit
FDI	Foreign Direct Investments
FVCI	Foreign Venture Capital Investors

Abbreviation	Full word
FIPB	Foreign Investment Promotion Board
FCCB	Foreign Currency Convertible Bonds
FRB	Floating Rate Bonds
G-Sec	Government Securities
GoI	Government of India
GAH	Gilt Account Holders
GDR	Global Depository Receipts
IVCU	Indian Venture Capital Undertaking
IPO	Initial Public Offer
ISIN	International Securities Identification Number
IDR	Indian Depository Receipts
ICCL	Indian Clearing Corporation Limited
KYC	Know Your Client
MoF	Ministry of Finance
MRC	Minimum Required Capital
MTM	Mark to Market
MF	Mutual Fund Units
MSEI	Metropolitan Stock Exchange of India
NSE	National Stock Exchange
NSCCL	National Securities Clearing Corporation Limited
NDS-OM	Negotiated Dealing System - Order Matching
NSDL	National Securities Depository Limited
NRI	Non-Resident Indian
OTC	Over-the-counter
OCI	Overseas Citizen of India
PD	Primary Dealers
PSU	Public Sector Undertaking
PM	Primary Members
PTC	Pass Through Certificates

Abbreviation	Full word
PDO	Public Debt Office
PIO	Persons of Indian Origin
PIS	Portfolio Investment Scheme
QFI	Qualified Foreign Investor
QIB	Qualified Institutional Buyer
RDM	Retail Debt Market
RBI	Reserve Bank of India
SLB	Securities Lending & Borrowing
SEBI	Securities and Exchange Board of India
SCRA	Securities Contracts (Regulation) Act, 1956
SGF	Settlement Guarantee Fund
SPAN	Standardised Portfolio Analysis of Risk
SGL	Subsidiary General Ledger Account
SAT	Securities Appellate Tribunal
SLR	Statutory Liquidity Ratio
VaR	Value-at-Risk
VCF	Venture Capital Funds
VC	Venture Capital
ZCB	Zero Coupon Bonds

Investor Services, India
Institutional Cash & Securities Services
Global Transaction Banking
Deutsche Bank AG, India

Contact

Anand Rengarajan
Managing Director | Head of Investor Services, India
Institutional Cash and Securities Services
Global Transaction Banking
Deutsche Bank AG

Tel: +91-22-7180-6595
Email: anand.rengarajan@db.com