



# Namaste India

The comprehensive guide for  
professionals investing in India

#PositiveImpact



**150**  
YEARS

Deutsche Bank  
**40** in India

Edition 2020



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## PREFACE

Against a background of global economic uncertainties due to Covid-19 pandemic, India continues to attract foreign investments. India garnered the highest foreign portfolio inflows in the first half of 2020 compared to its emerging market peers. This optimistic foreign investor sentiment continued in July and August buoyed by record capital raising by leading domestic firms and the attractive interest rate differential.

India has been receiving global capital through both Foreign Direct Investment (FDI) and Foreign Portfolio Investments (FPI) routes. Foreign Portfolio Investment (FPI) inflows also rebounded to a 15-month high in June, 2020 and it is highly important for the Indian capital markets to continue to offer a sound and highly evolved framework to support investors with an emphasis on ease of doing business.

One of the important objectives of SEBI has been to make the experience of Foreign Portfolio Investors more assured and efficient. The revamped FPI regulations 2019 and the Common Application Form with digital market entry solution is a significant step in that direction.

Deutsche Bank has been bringing out a detailed guide to the FPI framework in India for the last six years and I gather that it has been received very well by the market. I congratulate the Deutsche Bank in continuing this effort for the seventh year running and I am sure the guide will continue to meet with enthusiastic response from the investor community worldwide.

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**SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI)**

September 28, 2020





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RESERVE BANK OF INDIA

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Executive Director

The year 2020 has seen disruptions across the globe on a scale and at levels not seen or imagined previously. The world is grappling with the health and economic impact of Covid-19. The massive shock to the Global economy in the first half of this year however is easing as countries started to unlock in the quarter starting July giving hope that a gradual recovery is underway.

Equity markets have bounced back from their March troughs in the economies with systemically developed financial sectors. In India, market sentiment has been bolstered by the reopening of Indian economy and the easing of COVID-19 related lockdown measures. Fiscal and monetary policy support, in form of government credit guarantees, restructuring of loans, capital and liquidity buffers to support lending have further fueled investor confidence. On the back of buoyant FDI, resurgence of FPI flows and current account surplus, foreign exchange reserves have crossed half a trillion mark in June 2020.

Foreign Direct Investment and Foreign portfolio investments are key sources of capital for the Indian economy and it is important to ensure transparency as well as harmonized investment experience as the investment regulations evolve.

With the variety of asset classes and products now available in the Indian financial markets, to foreign investors, a reference guide like Namaste India can help participants in gaining an insight to the regulatory framework.

I would like to congratulate the efforts of Deutsche Bank team in publishing this seventh edition of the Namaste India guide and hope this proves to be a useful reference for foreign investors.

(M. Rajeshwar Rao)

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हिंदी आसान है, इसका प्रयोग बढ़ाइए



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## Foreword

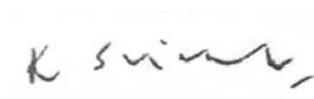
It's that time of the year, when team Deutsche Bank gets ready with its updated version of the annual publication, Namaste India. The Namaste India book this year has been quite unique as the complete book was designed, compiled and put together Working from Home (WFH).

One of the key aspects of 2020 was the launch of "Access India" portal which facilitate, digital market entry for Foreign Portfolio Investors (FPI). This portal facilitates completing the registration digitally and a two way communication between the FPI and DB team.

Five years after the start of the FPI regime, the regulators have further rationalised the access and investment norms, for the foreign investors, with the release of the new FPI regulations, new FEMA Debt and Non-Debt rules, Fully Accessible Route for investment in specified G-Secs without any limits. Launch of Common Application Form (CAF) is a step forward to facilitating end to end digital market entry for the FPIs. The CAF proved to be a boon during the CoVID-19 lockdown restrictions in seeking the access to market.

Apart from the easing of regulatory framework, the Government and the regulators have been providing much needed impetus and stimulus to restart the economy in the last 2 quarters of financial year 2020-21, during the WFH/ lockdown scenario. As the country gets ready for, inclusion into the Bond Index, and few marquee IPOs, we at Deutsche Bank look forward to providing more innovative solutions and products to enhance the client experience.

We would like to thank our clients, partners and intermediaries who have encouraged us and provided us with such valuable feedback. We would also like to thank all our colleagues who have worked tirelessly, despite the current situation, in bringing out the 7<sup>th</sup> Edition of the book.



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# 1 Introduction

Global economic recovery from the depths of the Covid-19 plunge has proceeded significantly faster than expected, helped by a strong boost from massive fiscal and monetary policy stimulus across the leading economies. A renewed surge in COVID-19 infections in major economies in July-August has subdued some early signs of revival; however global financial markets have been buoyant, and portfolio flows to emerging markets have resumed.

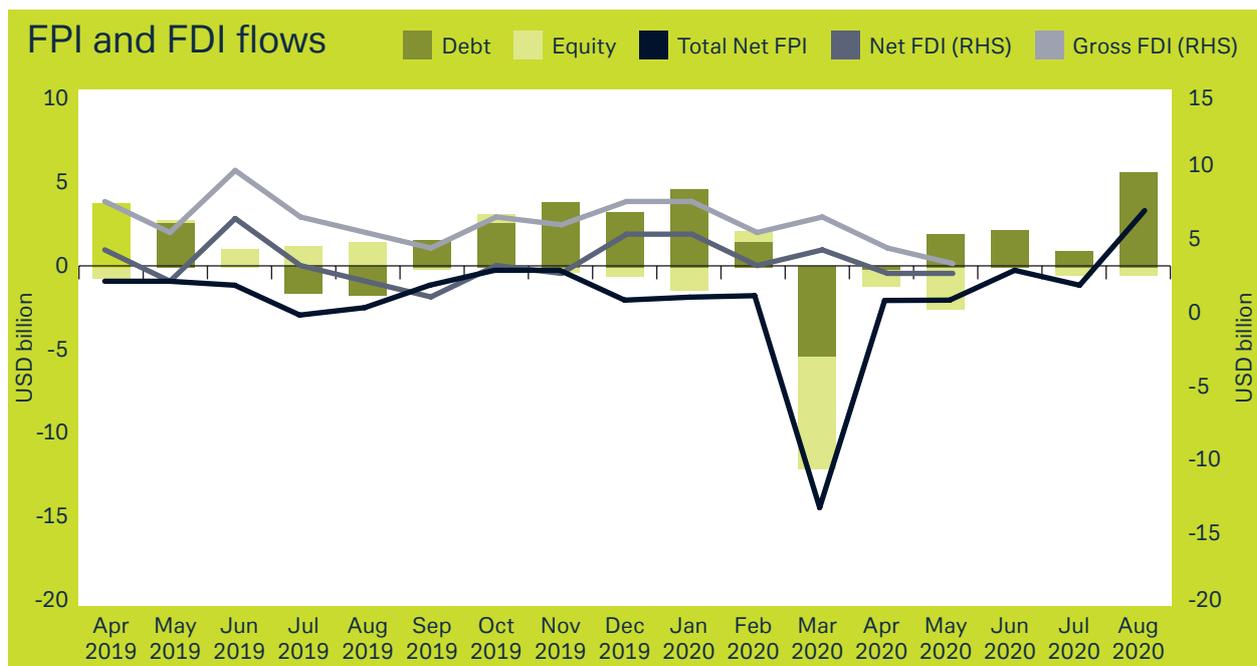
Among the leading world economies, India's GDP contraction at 23.9 per cent is slightly higher. The higher contraction has resulted from the most stringent lockdown that India enforced in the April-June quarter. While the strict measures brought down economic activities, the lockdown has enabled India to restrain the pandemic induced death rate to one of the lowest in the world.

With India now unlocking from June quarter, the worst seems to be behind us as high-frequency indicators show an improvement from the unprecedented trough the economy had hit in the April-June quarter. Broad-based resurgent growth in several high frequency indicators such as PMI Manufacturing, eight core, E-way bills, Kharif sowing, power consumption, railway freight, cargo traffic and passenger vehicle sales augurs well for prospects of growth recovery. Retail digital payment transactions have also rebounded and have scaled new highs post lockdown months of April and May.

There are signs of significant revival of rural demand as the agriculture sector continues to remain a bright and resilient spot supported by a healthy south-west monsoon.

## Robust FDI and FPIs at historic highs

On the financing side, net foreign direct investment (FDI) moderated to US\$ 4.4 billion in April-May 2020 from US\$ 7.2 billion a year ago, although a robust number in a pandemic situation. On the other hand, India garnered the highest foreign portfolio inflows in the first half of 2020 compared to its emerging market peers. This optimistic foreign investor sentiment continued in July and August buoyed by record capital raising by leading domestic firms and low global interest rates. In August, the selling spree in debt markets also reversed, further bolstering market confidence



Source: CSDL and RBI

The outlook related to corporate earnings recovery has improved and India continues to be a key focus country for medium to long term investors.

Regulatory policy is expected to maintain focus on attracting more inward investments and improve ease of doing business for institutional investors.

### 1.1. Background - FPI

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 01, 2014. The FPI market access model for foreign investors, which evolved from the earlier FII/sub-account/QFI model to the harmonized FPI regime, is now stabilized, well over 9000 registered FPIs.

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

The FPI regime has also gone through extensive review through the Working Group on FPI Regulations, set-up by SEBI under the Chairmanship of Mr. H.R. Khan, former Dy. Governor of RBI. A number of recommendations made by the Working group have been accepted and policy modifications are under implementation.

The objective of this guide is to provide comprehensive reference information on the FPI model for investors, investment professionals, intermediaries and market participants. Overview of all investment routes including Foreign Direct Investment (FDI) and Foreign Venture Capital Investor

(FVCI) has been included, along with a summary look at the securities market structure in India, asset classes and investment rules associated thereto.

## 1.2. What's new from 2020

This edition covers all the regulatory and procedural changes notified till 1st August 2020; as well as additional or amended material as applicable on key aspects relevant to Foreign Portfolio Investors

From this year, the online version of Namaste India is updated on a quarterly basis, in order to be able to include more up-to-date regulatory changes, which accessible as an E-book and freely downloadable.

## 1.3. Navigation through this guide

- The document provides a context to the FPI model by sharing a summary information section on the Indian securities market and the various prevalent investment routes into India, as Chapters 2 and 3. This includes comparative tables on key aspects, such as investment permissions across the three foreign investment routes.
- Against a background of steady growth in FDI (Foreign Direct Investments) into India, a separate section has been devoted to detailed coverage of FDI & FVCI routes as Chapter 4 and 5.
- Comprehensive information on the process of FPI market entry is available in Chapter 6.
- A comparative table on Categorization of FPIs, consequent investment restrictions and operating model is included in Chapter 7.
- A detailed note on the risk-based KYC framework, applicable to FPIs as well as the KYC framework applicable to other foreign investment routes is included in Chapter 8.
- Investment guidelines applicable to the FPI route are described in detail in Chapter 9. This section includes information on debt, equity and other permitted instruments, investment platforms, ownership limits etc. Detailed notes on the various routes for investments in Debt and comparative table for such investments have been included in this section. Comprehensive information regarding Securities Lending and Borrowing, the regulations governing derivatives and other hybrid instruments such as REITs, InvITs etc can also be found in this chapter.
- FPIs experience the same highly developed and stable clearing & settlement structure, as domestic participants in the market. Overview of the clearing & settlement environment in the Indian securities market is available as Chapter 10. This section provides summary information, designed to convey key aspects.
- A detailed note on Asset Servicing environment is included as Chapter 11.
- Guidelines related to Banking, remittance rules and currency hedging are covered in Chapter 12.
- An overview on the applicable tax structure is provided in Chapter 13. The information included is of indicative nature only, as actual tax applicability will differ on case to case basis depending on various factors. This chapter also includes the latest updates on the significant changes to tax environment, covering cross-border treaty changes, international tax administration etc.
- Chapter 14 describes the International Financial Services Centre (IFSC) at GIFT City Ahmedabad.
- Chapter 15, titled Industry Perspectives, includes articles contributed by market experts on important aspects of Indian financial markets. (Views expressed in these articles are of the authors and do not represent views of Deutsche Bank).
- Annexures include useful reference links, key contacts list, besides Forms/Templates relevant to FPI market entry.

## 1.4. Namaste India E-Book

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

The E-Books can be accessed at [www.namasteindia-db.com](http://www.namasteindia-db.com)

## 2 Securities Market in India – Overview

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

### 2.1. Market: Participants and Components

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

Securities are broadly classified as:

- Shares/ stocks, bonds, debentures (fully, optionally and non-convertible), or other marketable securities of a like nature of any incorporated company or body corporate;
- Government Securities, Treasury Bills, State Development Loans
- Rights or interest in securities
- Derivatives – Futures and Options

There are two segments namely, the primary market (new or fresh issuances) and secondary market (trading in securities issued in primary market).

- **Primary market:** Initial issuance of securities to raise capital resources. Corporate entities issue capital instruments (equity shares, debentures, bonds 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 placement' or preferential placement, where the issuance is done to select people/ entities
- **Secondary market:** The secondary market comprises of:
  - **Over-the-counter (OTC) market:** Markets where securities are negotiated bilaterally and settled for immediate delivery and payment. However, reporting and settlement of all such OTC trades by entities regulated by SEBI and RBI needs to be done through the clearing corporation of the exchanges
  - **Exchange-traded market:** Trades are executed on regulated Stock Exchanges and cleared and settled by a clearing corporation which provides novation and settlement guarantee

Equities market in India is predominantly exchange-driven, while the Debt market is combination of OTC and exchange traded models.

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

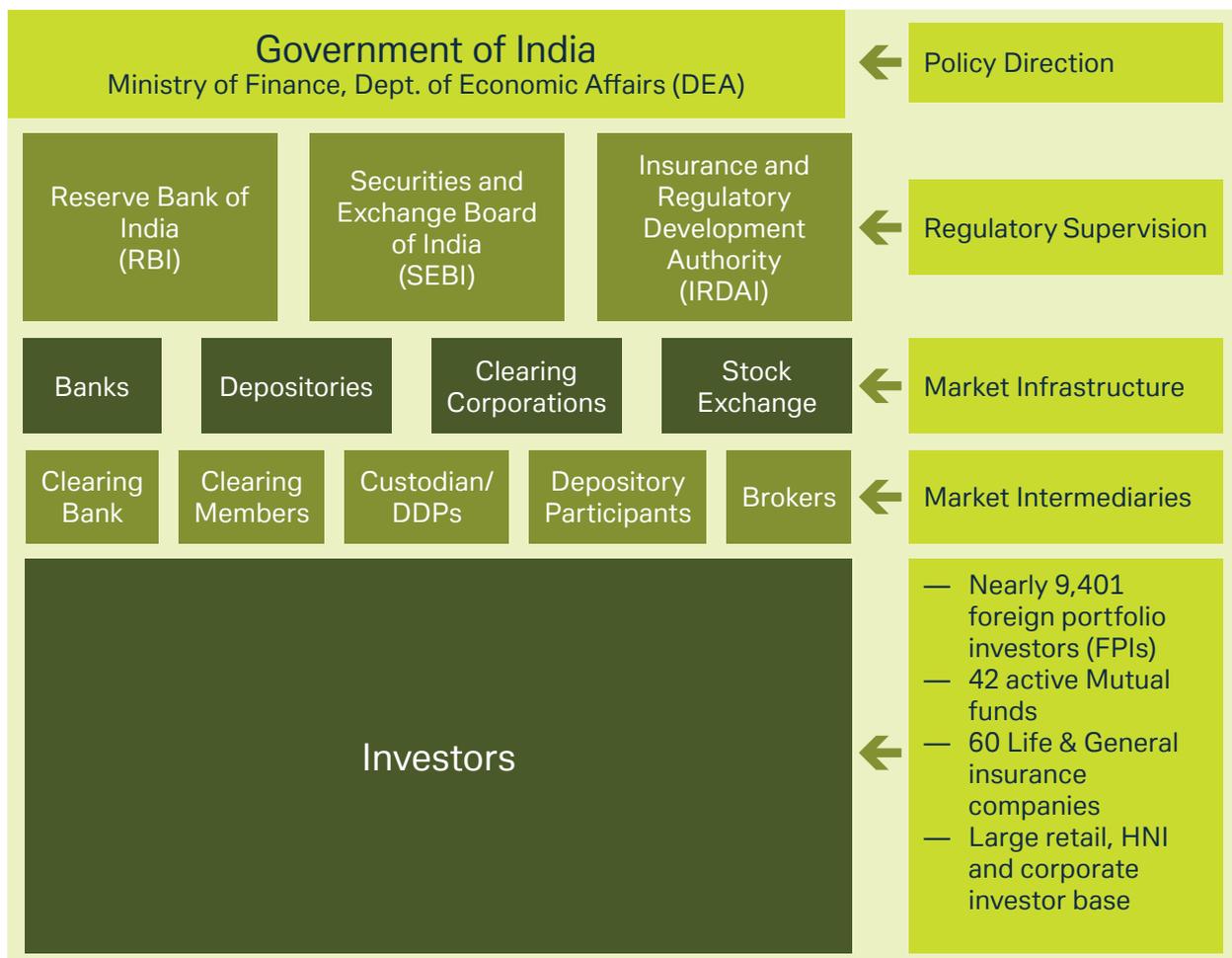
## 2.2. Legal Framework

Important legislations governing the securities market in India are:

- i. **Companies Act 2013:** Provides the regulatory framework related to incorporation of a company, its responsibilities, appointment and role of directors, modalities on dissolution of a company, various disclosures like audited financials, etc. Additionally, it also specifies a code of conduct for the companies in relation to issuance, allotment and transfer of securities, and disclosures to be made in public issues.
- ii. **Securities and Exchange Board of India Act (SEBI Act), 1992:** SEBI was established under this act, to develop and regulate securities market, and protect interests of investors in securities. SEBI regulates the stock exchanges, depositories, clearing corporations, custodians, brokers, Foreign and domestic institutional investors among others. SEBI has regulatory jurisdiction over corporates in terms of capital raising, issuance and transfer of securities, corporate benefits etc. 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.
- iii. **Securities Contracts (Regulation) Act, 1956 (SCRA):** It provides for regulation of business of dealing in securities to prevent undesirable transactions. It gives Central Government regulatory jurisdiction over (a) Stock exchanges through a process of recognition and continued supervision; (b) Contracts in securities; and (c) Listing of securities on stock exchanges.
- iv. **Depositories Act, 1996:** It provides for the establishment of depositories in securities market with the objective of ensuring near instant transferability of securities with speed, accuracy and in a safe and secure manner. 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
- v. **The Insolvency and Bankruptcy Code, 2016:** It provides a time-bound process to resolve insolvency.
- vi. **Foreign Exchange Management Act (FEMA), 1999:** The Act came into existence in May 2000, and governs the foreign exchange transactions, with the objective of facilitating external trade and payments and for development and maintenance of the foreign exchange market in India. The act governs the foreign currency transactions, investments by foreign investors in Indian securities market including debt segment (both Government and corporate debt), various reporting requirements for foreign investors dealing in securities etc.
- vii. **Prevention of Money Laundering Act, 2002 (PMLA):** The PMLA provides the basic statutory framework for identification of customers, transaction monitoring, anti-money laundering measures, monitoring and reporting requirements etc. PMLA defines the broad framework for the market regulators to prescribe regulations and rules for Know Your Customer, transaction monitoring and records, and documentations therein.
- viii. **Rules, regulations and bye-laws of the stock exchanges, depositories, clearing corporations**
- ix. **Key statutes applicable for foreign investors include –**
  - FEMA, 1999 and the related circulars and notifications, which include:
    - Foreign Exchange Management (Non-Debt Instruments) Rules, 2019

- Foreign Exchange Management (Debt Instruments) Regulations, 2019
- Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019
- SEBI (Foreign Portfolio Investors) Regulations, 2019
  - Operational Guidelines For Foreign Portfolio Investors, Designated Depository Participants and Eligible Foreign Investors
- SEBI (Foreign Venture Capital Investors) Regulations, 2000
- SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011
- SEBI (Issue of Capital and Disclosure Requirement) Regulations, 2018
- SEBI (Prohibition of Insider Trading) Regulations, 2015
- SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003

## Supervisory Framework



SEBI has framed regulations under the SEBI Act and the Depositories Act for registration and regulation of all market intermediaries, and for protection of interest of investors dealing in securities and prevention of unfair trade practices, 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:

1. Department of Economic Affairs (DEA),
2. Ministry of Corporate Affairs (MCA),
3. Reserve Bank of India (RBI) and
4. Securities Exchange Board of India (SEBI)

## 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 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 Investment and Public Asset Management – DIPAM (previously known as 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

Contact	Department of Economic Affairs North Block, New Delhi
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Web Address	<a href="http://www.finmin.nic.in">http://www.finmin.nic.in</a>
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### Central Board of Direct Taxes, Government of India (CBDT):

Forms part of Department of Revenue under Ministry of Finance and administers direct taxation, which includes the department of income tax. It also holds responsibility for entering into any Double Taxation Avoidance Agreement with countries, exchange of information under FATCA and CRS, implementation of GAAR etc.

### Securities and Exchange Board of India (SEBI):

SEBI is the regulatory and registering authority for the various intermediaries and institutional investors connected with the securities market (e.g. brokers, mutual funds, 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. Apart from domestic institutional investors like Mutual Funds and Alternate Investment Funds, SEBI also governs and provides the regulatory framework for Foreign Portfolio Investors and Foreign Venture Capital Investors, stipulating the norms for such investments into India.

### Securities and Exchange Board of India (SEBI)

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

Web Address                <http://www.sebi.gov.in>

### Reserve Bank of India (RBI):

RBI is the Central Bank of India performing various functions like:

- Formulation, implementation and monitoring of the monetary policy with the 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, including the investments by foreign investors into Indian securities
- Governing the debt markets through primary dealers and provides liquidity support to market participants

### Reserve Bank of India (RBI)

Contact                      Foreign Exchange Department  
Central Office Building, 11th Floor  
Mumbai – 400 023  
+ 91 22 2260 1000

Web Address                <http://www.rbi.org.in>

### Insurance Regulatory and Development Authority of India (IRDAI)

Regulates the Insurance Companies in India. It is established under the IRDA Act, 1999.

### Insurance Regulatory and Development Authority of India (IRDAI)

Contact                      Insurance Regulatory and Development Authority of India  
Sy No. 115/1, Financial District  
Nanakramguda, Gachibowli,  
Hyderabad – 500032  
+ 91 22 2260 1000

Web Address                <https://www.irdai.gov.in>

### Stock Exchange Supervision

The stock exchanges in India are self-regulatory organisations with their own rules, regulations and byelaws 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), the Bombay Stock Exchange (BSE) and Metropolitan Stock Exchange (MSE) are the main stock exchanges through which trades are executed. The securities that are listed and traded on these exchanges are mentioned below.

Fixed Income	Government Securities (G-Secs), Corporate Bonds, Debentures, Public Sector Undertaking (PSU) Bonds, Separate Trading of Registered Interest and Principal of Securities (STRIPS) in G-Secs
Equities	Equity Shares, Preference Shares, Warrants
Money Markets*	Treasury Bills
Derivatives	Index Futures and Options, Single stock futures and Options, Interest Rate Derivatives, Currency Derivatives
Others	Mutual Fund Units*, Exchange Traded Funds (ETFs), and Indian Depository Receipts (IDRs)

\*Restrictions apply

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

## 2.4. Capital Market overview

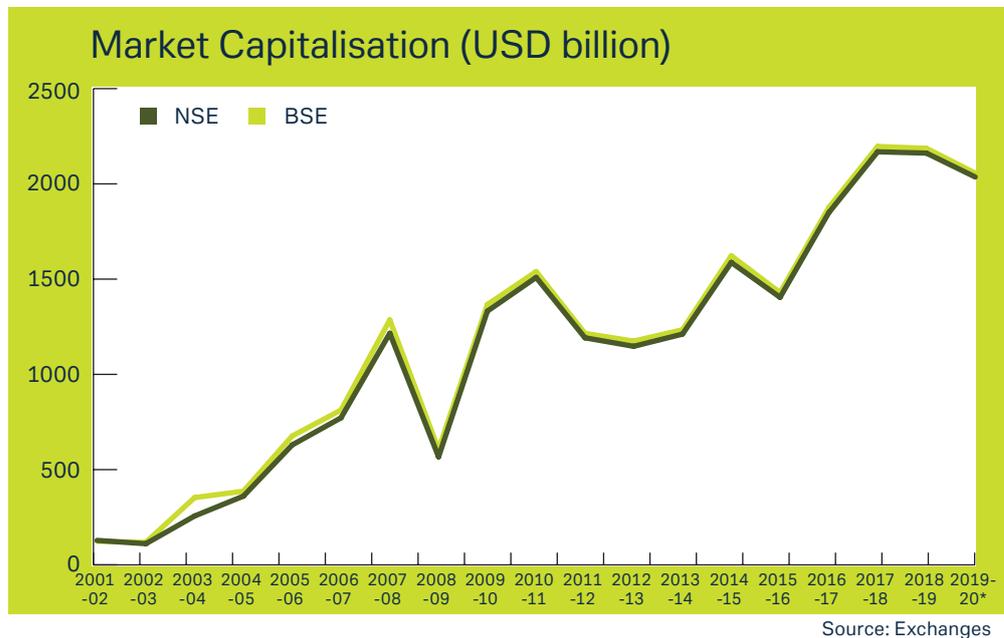
Regulators	<ul style="list-style-type: none"> <li>— Reserve Bank of India (RBI)</li> <li>— Securities and Exchange Board of India (SEBI)</li> </ul>
Securities Stock Exchanges & CCPs	<ul style="list-style-type: none"> <li>— National Stock Exchange (NSE) and NSE Clearing Limited (NCL)</li> <li>— Bombay Stock Exchange (BSE) and Indian Clearing Corporation Limited (ICCL)</li> <li>— Metropolitan Stock Exchange of India (MSEI) and Metropolitan Clearing Corporation of India Limited (MCCIL)</li> </ul>
G-Sec Market	<ul style="list-style-type: none"> <li>— Negotiated Dealing System – Order Matching (NDS-OM) for trading, reporting</li> <li>— Clearing Corporation of India Ltd. (CCIL) for clearing and settlement</li> </ul>
Depositories	<ul style="list-style-type: none"> <li>— National Securities Depository Limited (NSDL)</li> <li>— Central Depository Services (India) Limited (CDSL)</li> <li>— Reserve Bank of India – for Government Debt and Treasury Bills</li> </ul>
Market Participants	Brokers, Custodians, Designated Depository Participants, Foreign Portfolio Investors, Domestic Asset Management Companies, Insurance companies, Banks, Financial Institutions, Corporates and Retail Investors

Market Instruments

- Equities, Preference Shares, Warrants
- Central Government bonds, State Development Loans, Treasury Bills
- Corporate Bonds, Debentures and securitised debt instruments
- Mutual funds/ ETF
- Derivatives
- Indian Depository Receipts
- Commercial paper
- Certificates of deposit

Market Statistics

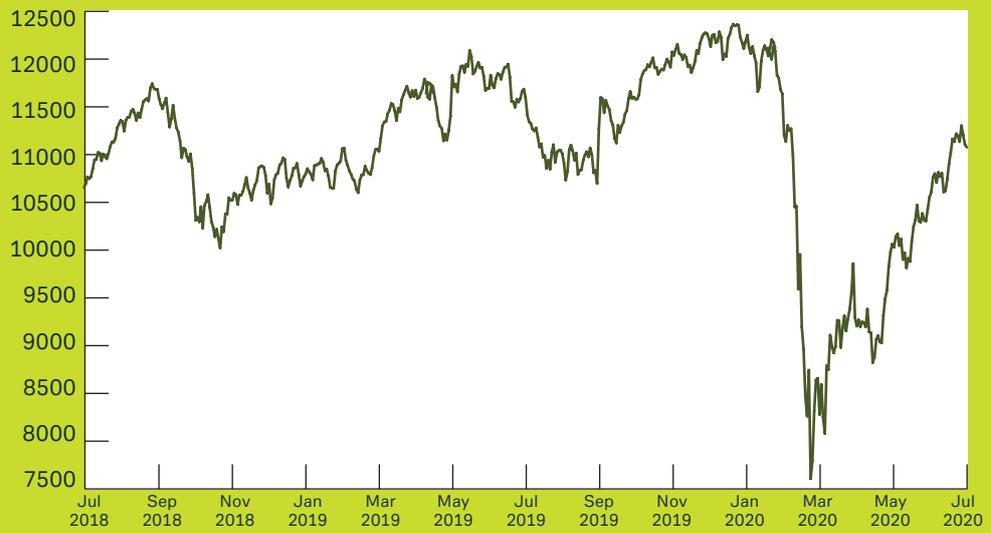
- Market Capitalisation
  - BSE: USD 1,971 billion (July 2020)
  - NSE: USD 1,956 billion (July 2020)



- Total Forex reserves: USD 535 billion (July 2020)
- Debt limits for Foreign Portfolio Investors (October 2020-March 2021)
  - Government securities: INR 2345.31 billion (G-Sec and SDL)
  - Corporate Debt: INR 5414.88 billion

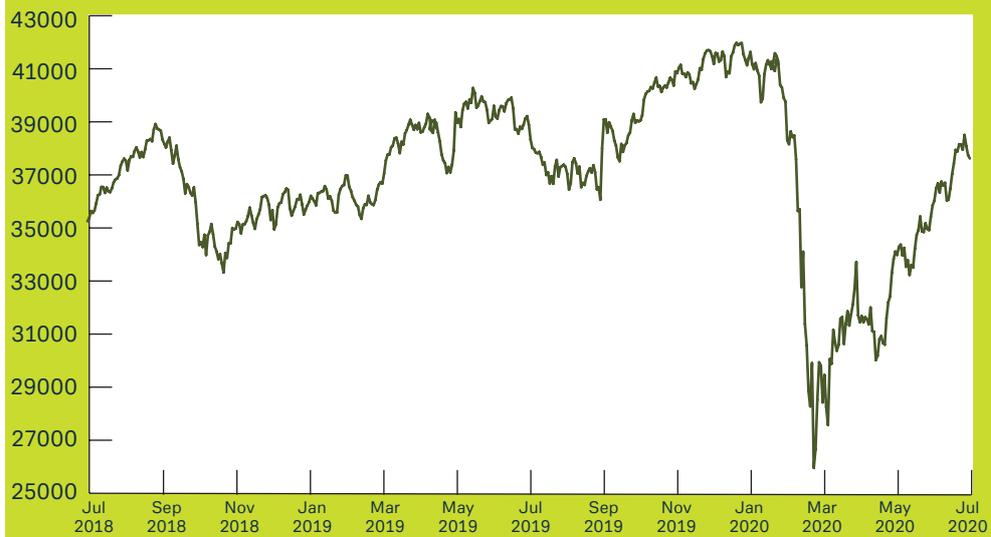
Stock Indices

NIFTY



Source: NSE

Sensex



Source: BSE

## 2.5. Trading Guidelines Overview

Settlement Currency	Indian Rupee (INR) – Convertible (on-shore)
Trading Hours	<ul style="list-style-type: none"> <li>— Equity markets – 9:15 am to 3:30 pm (Pre-open call session – 9:00 am to 9:15 am)</li> <li>— Securities Lending and Borrowing segment – 9.00 am to 5.00pm</li> <li>— Debt segment for corporate bonds – 9.00 am to 3.30 pm (Exchange traded)/ 9.00 am to 5.00 pm (OTC)</li> <li>— Derivative segment (Futures and Options) – 9:15 am to 3:30 pm</li> <li>— Currency derivative segment – 9:00 am to 5:00 pm</li> <li>— Government Securities (G-Sec) market (NDS-OM) – 9:00 am to 5:00 pm</li> </ul>
Settlement Cycle	<ul style="list-style-type: none"> <li>— Equities – T+2</li> <li>— Securities Lending and Borrowing – T+1</li> <li>— Derivatives – T+1 (Mark to market margin)</li> <li>— Government Securities – T+1/ T+2 (All confirmations to be completed on T)</li> <li>— Corporate Bonds – T+2 (Exchange traded) and T+0 to T+2 (OTC)</li> </ul>
Account Structure	Segregated Securities, Cash and Depository account
Short Selling	Permitted – only against Borrow positions in the Securities Lending and Borrowing segment
Lock-in Period	None for equities. Specific debt instruments may include lock-in
Trade Pre-matching	Available
Fail Trades	<ul style="list-style-type: none"> <li>— Equities – Forced buy-in will be conducted by the exchange. Penalties will be levied</li> <li>— Corporate Bond – Default by one party will result in trade fail and funds/ securities returned back</li> </ul>
Securities Lending	<p>Available as an exchange-based mechanism</p> <p>Foreign investors can lend securities, however they can only borrow securities for delivery into short sales (Naked short selling not permitted)</p>

## 2.6. Securities Identification

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

## 2.7. Asset Classes

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

- Equity
- Fixed Income – Central Government Securities, State Development Loans, Corporate Debt
- Derivatives
- Indian Depository Receipts
- Mutual Fund units
- Units of AIF, REITs and InvITs

There are specific guidelines/ restrictions applicable for investments which are covered in detail in subsequent chapters

### 2.7.1. Equities

- Ordinary Equity Shares
- Preference Shares
- Warrants

All transactions in equities are settled and held in dematerialised form at the depository. The listed equity securities traded on the stock exchanges are settled on a T+2 rolling settlement cycle basis.

### 2.7.2. Fixed Income

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

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

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

### Government Securities (G-Secs)

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

### Corporate Bonds and Debentures

- Corporate bonds are issued with a variety of features
- Secured, unsecured debentures with maturity of 18 months are required to have a specified credit rating provided by approved credit rating agencies
- Corporate bonds are available in dematerialised form at the depository
- All publicly issued debentures are listed on exchanges
- FPIs are restricted to invest in Corporate Bonds having residual maturity of less than 1 year
- FPIs have been permitted to invest in unlisted debt securities subject to compliance with end use restriction

### Commercial Paper

- Commercial Paper (CP) is a short term Rupee denominated and unsecured negotiable promissory note issued by Indian corporates, Primary Dealers (PDs) and Financial Institutions (FIs)
- With effect from June 2001, financial institutions were permitted to make fresh issuance and hold CPs in dematerialised form only
- FPIs are permitted to invest in Commercial papers only under Voluntary Retention Route (details in Chapter 9)

### 2.7.3. Derivatives

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

### 2.7.4. Indian Depository Receipts (IDR)

A foreign company can raise capital by accessing the Indian securities market through the issuance of IDRs. An IDR is a depository receipt denominated in Indian Rupees created by a Domestic Depository (custodian of securities registered with SEBI against the underlying foreign equity of issuing company to enable them to raise funds from the Indian securities markets.

### 2.7.5. INR Denominated Bonds issued outside India (Masala Bonds)

Eligible Indian resident entities can issue plain vanilla Indian Rupee (INR) denominated bonds, in a Financial Action Task Force (FATF) compliant financial centers/ jurisdiction outside India. The bonds can be issued by private placement or listed on a stock exchange as per host country regulations.

## 2.8. Commodities Derivatives

The Commodity Derivatives Market in India witnessed major reform through Finance Act, 2015, when it was brought under the purview of Indian Securities Market Regulator, SEBI, to ensure unified regulator for Commodities and Securities Market. The commodity derivatives are now regulated by SEBI under the SCRA, 1956.

Legal Framework	<ul style="list-style-type: none"> <li>— Securities Contracts (Regulation) Act, 1956</li> <li>— Securities Contracts (Regulation) Rules, 1957</li> </ul>
Regulator	<ul style="list-style-type: none"> <li>— Securities &amp; Exchange Board of India (SEBI)</li> </ul>
Stock Exchanges	<ul style="list-style-type: none"> <li>— National Commodity and Derivatives Exchange Limited (NCDEX)</li> <li>— Multi Commodity Exchange of India Limited (MCX)</li> <li>— Bombay Stock Exchange</li> <li>— National Stock Exchange</li> </ul>
Clearing Corporations	<ul style="list-style-type: none"> <li>— National Commodity Clearing Limited (NCCL)</li> <li>— MCX Clearing Corporation Limited (MCXCCL)</li> <li>— ICCL</li> <li>— NCL</li> </ul>
Participants	<ul style="list-style-type: none"> <li>— Alternative Investment Funds (Category III)</li> <li>— Mutual Funds</li> <li>— Portfolio Managers</li> <li>— Eligible Foreign Entities</li> </ul>
Traded Commodities	<ul style="list-style-type: none"> <li>— Bullion – Gold and Silver</li> <li>— Metals – Aluminium, Copper, Lead, Nickel, Zinc, Steel</li> <li>— Energy – Crude Oil and Natural Gas</li> <li>— Agro – Cotton, Cardamom, Castor Seed, Rubber, Guar Seeds, Spices, Cereals &amp; Pulses etc</li> </ul>
Trading Hours	<p>NCDEX</p> <ul style="list-style-type: none"> <li>— International Referenced Non-Agri Commodities – 10.00 am to 9:00 pm/ 9.30 pm (Daylight savings between Nov – March)</li> <li>— International Referenced Agri Commodities – 10.00 am to 9:00 pm/ 9.30pm (as notified by SEBI)</li> <li>— Other Agri Commodities – 10.00 am to 5:00 pm</li> </ul> <p>MCX</p> <ul style="list-style-type: none"> <li>— Commodities (Bullions, Metals and Energy) – 10.00 am to 11:30 pm/ 11.55 pm (Daylight savings between Nov – March)</li> <li>— International Referenced Agri Commodities – 10.00 am to 9:00 pm/ 9.30pm (as notified by SEBI)</li> <li>— Other Agri Commodities – 10.00 am to 5:00 pm</li> </ul>

**Settlement Cycle** — Currently all trades are mark to market at the closing price of contract and mark to market requirement are settled at T+1

**Key Indices**

**NKrishi**

- Dhaanya is an agricultural commodities index computed by NCDEX. The index values are calculated using the prices of 10 agricultural commodity futures traded on the NCDEX platform
- Dhaanya consists of Barley, Castor Seed, Chana, Coriander, Cotton Seed Oilcake, Guar Seed 10 MT, Jeera, Mustard seed, Soy Bean, Turmeric
- The composition of Dhaanya is reviewed at a regular period of 3 months. The index methodology is designed to include the most liquid agricultural futures into the index.



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

## 2.9. Foreign Exchange (FX)

Foreign Exchange market in India is governed and regulated by Reserve Bank of India (RBI). Indian Rupee (INR), is onshore convertible currency against other foreign currencies.

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

Contract Type	Description	FX Settlement – Exchange of currency
Spot	Spot FX is the most common foreign exchange transaction. A spot transaction requires to be settled within 2 business days	T+2 (T being the FX booking day)
Tom	Tom FX is also referred to as overnight and settles on the following day	T+1 (T being the FX booking day)
Cash/ Same day	Cash FX matures on the day the transaction takes place	T+0 (T being the FX booking day)
OTC Derivatives	<p>RBI permits Foreign Investors to hedge</p> <ul style="list-style-type: none"> <li>— Up to 100% of their exposure in equity and debt investments</li> <li>— Effective 1st September 2020, foreign investors can hedge their anticipated exposure</li> <li>— Forward contracts can be rolled over on or before maturity date of the contract</li> <li>— Forward contracts can be freely cancelled and rebooked</li> </ul>	Tenor of forward contracts should not exceed the tenor of the underlying exposure.
Exchange Traded Derivative	<p>FPIs are permitted to deal in currency derivatives with INR as one of currencies</p> <ul style="list-style-type: none"> <li>— Upto USD 100 million without having to establish existence of underlying exposure</li> <li>— Above USD 100 million or equivalent, underlying exposure to equity and debt should be provided</li> </ul> <p>FPIs are permitted to deal in cross currency pairs involving USD, EUR, GBP and JPY</p>	Tenor of forward contracts should not exceed the tenor of the underlying exposure

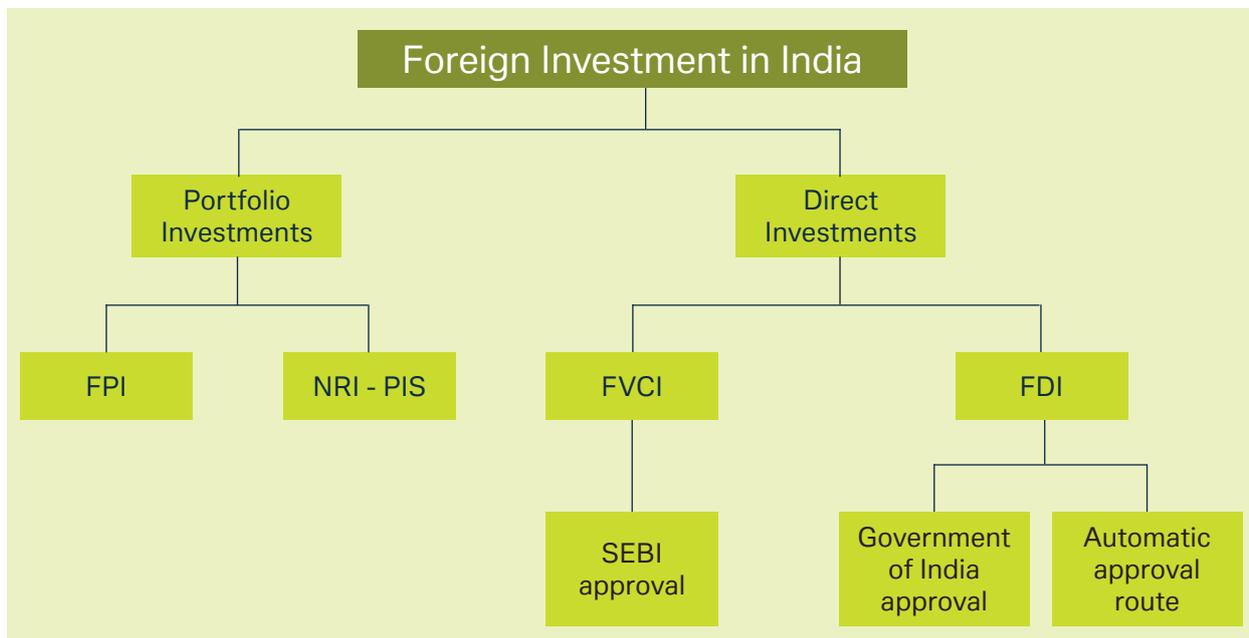
# 3 Investment Routes into India

## 3.1. Foreign Investment Avenues

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

- **Foreign Portfolio Investors (FPIs):** Portfolio Investments are permitted in listed securities on Indian Stock Exchange, Fixed income and unlisted debt. The foreign investors can invest under this route after obtaining a FPI license
- **Foreign Direct Investments (FDIs) (Strategic investments in Indian companies):** Investments can be made under the automatic investment route or the Government approval route depending on the sector of the investee company. The approvals for Government route would be provided by the respective department or ministry, within Government of India
- **Foreign Venture Capital Investors (FVCIs):** Investments permitted in venture capital undertakings falling under the specified sectors. The foreign investors can invest under this route after obtaining a license from Securities and Exchange Board of India (SEBI)
- **Non-Resident Indian/ Overseas Citizen of India (NRIs/ OCIs):** An Indian citizen who stays abroad for employment or carries on business or vocation outside India or a non-resident foreign citizen of Indian origin are permitted to invest in Indian securities under both the Portfolio Investment as well as Strategic investments under FDI

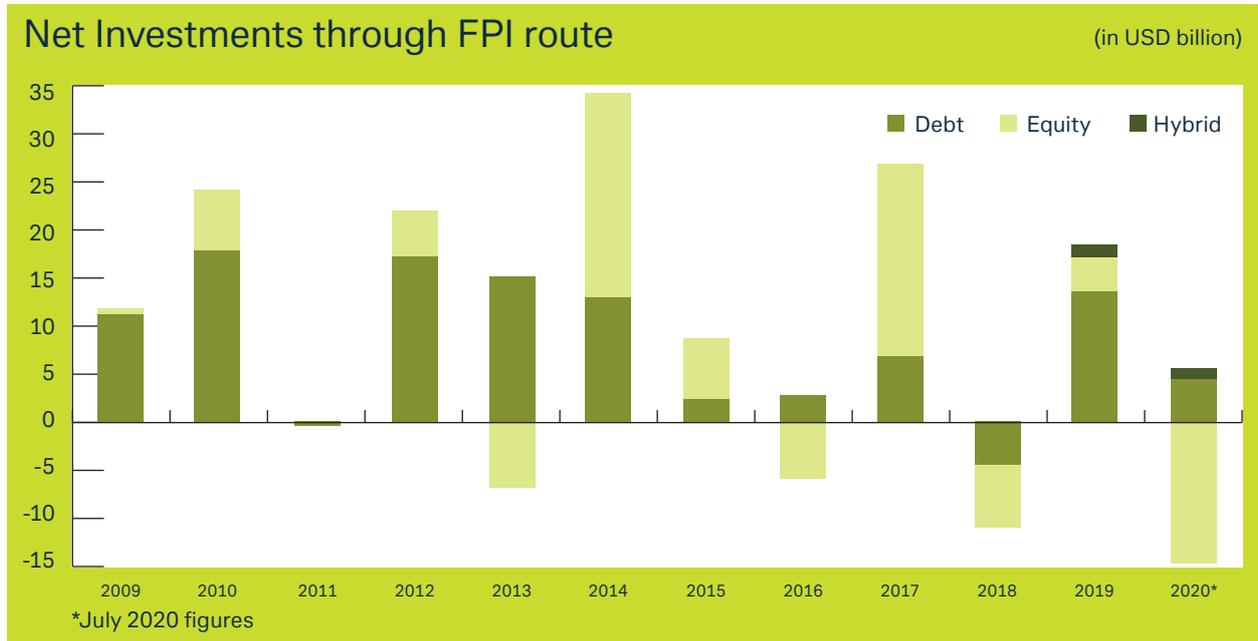
Given below is a snapshot of various investment routes available to foreign investors for accessing the Indian capital markets:



### 3.1.1. Foreign Portfolio Investor (FPI)

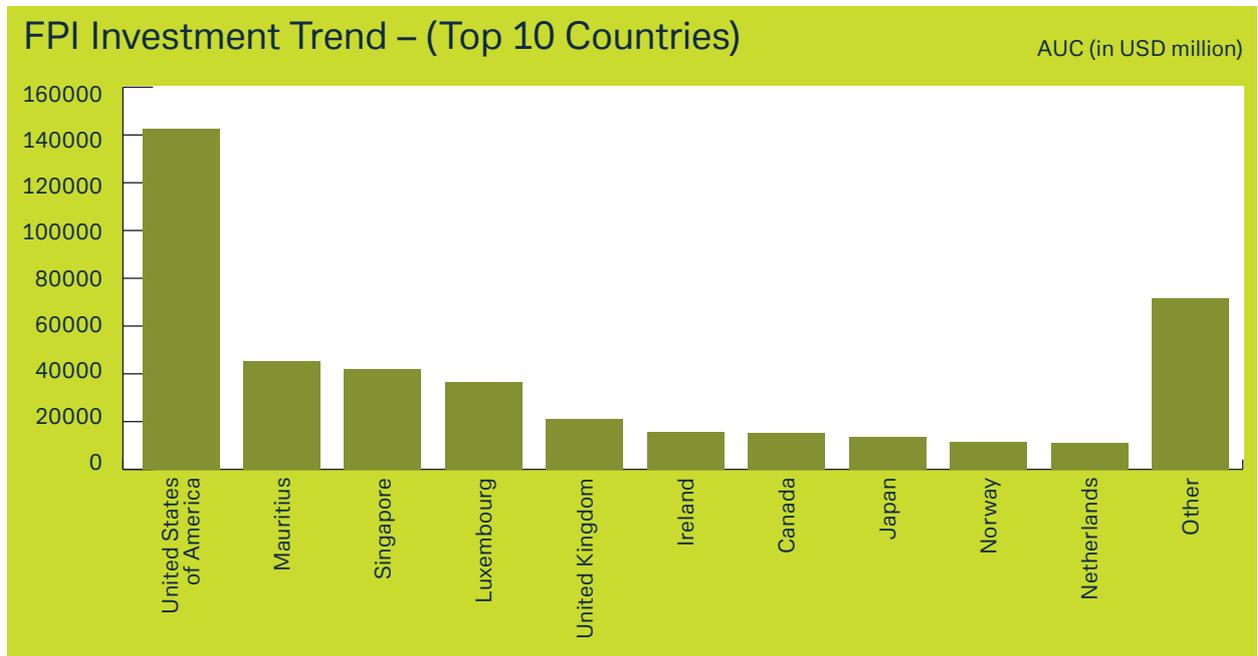
- A harmonised route, which came into effect from June 1, 2014, merging the two existing modes of investment i.e. Foreign Institutional Investor (FII) and Qualified Foreign Investor (QFI)
- Investments under this route are governed by SEBI (Foreign Portfolio Investors) Regulations 2019 and guidelines as specified under Foreign Exchange Management Debt and Non-debt Instruments Rules issued by Government of India and RBI
- Market entry through Designated Depository Participant (DDP), who performs the market registration process on behalf of SEBI
- The DDP engaged by the FPI also acts as the Custodian to the FPI
- Foreign investors are required to submit registration and KYC documents along with fees for seeking registration
- Registration is perpetual subject to payment of fees for every block of three years and completion of KYC periodic review
- Investments are permitted in securities as notified by SEBI and RBI from time to time. Such investments are governed by individual and sectoral foreign ownership limits and any other investment limits

### FPI Investment Statistics: Net Investments through FPI route



Source: NSDL statistics

### FPI Investment Trend – (Top 10 Countries)



Source: NSDL statistics

### 3.1.2. Foreign Direct Investment (FDI):

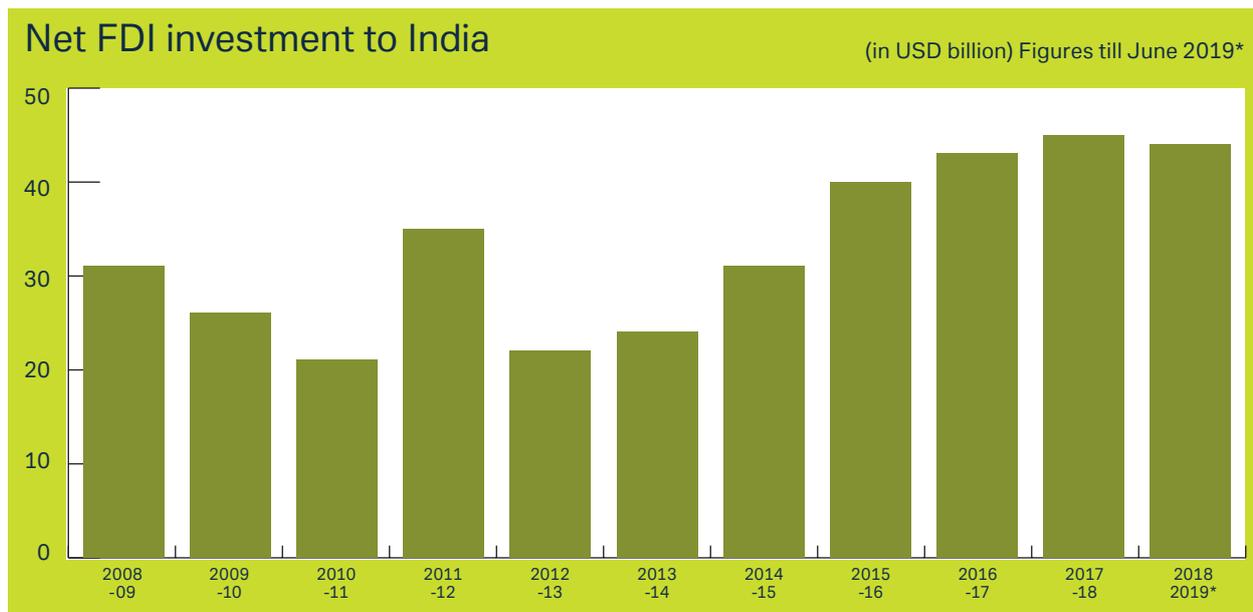
Investments through this route are considered strategic investments.

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

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

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

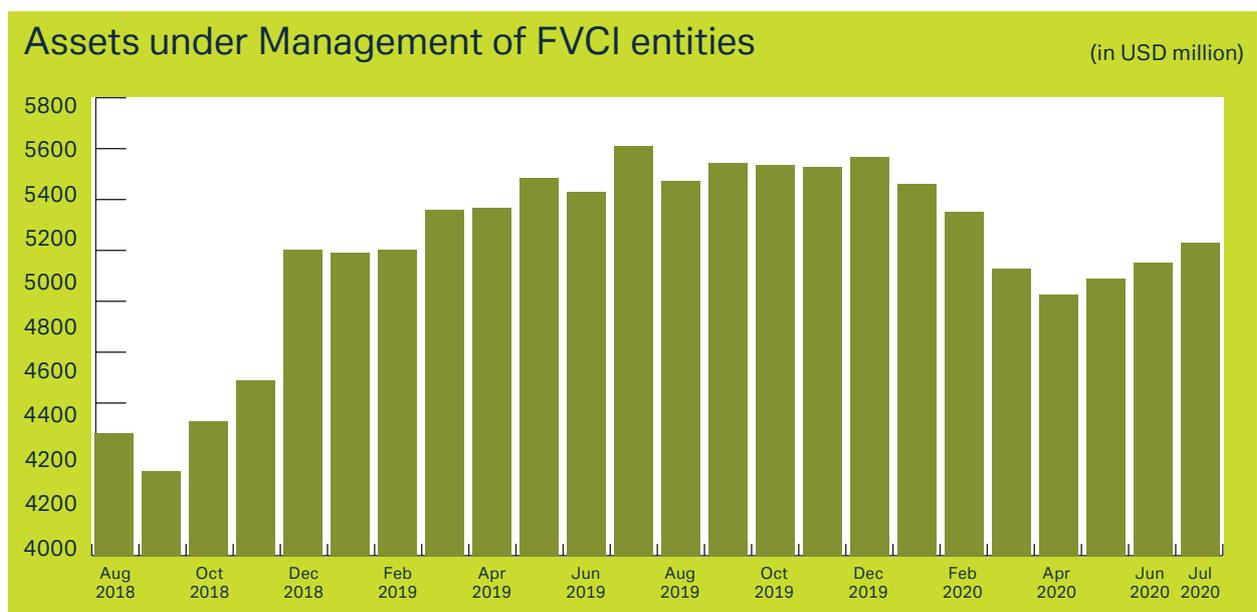
The chart below displays the FDI investment trend into India since 2000



Department for Promotion of Industry and Internal Trade (DPIIT)

### 3.1.3. Foreign Venture Capital Investment (FVCI): Foreign investment in specified ventures/ sectors identified by Government.

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



Source: NSDL website

### 3.1.4. Non – Resident Indians (NRIs): Portfolio Investment route Non-Resident Indians (NRI) and Overseas Citizen of India (OCI)

- Appointment of a custodian is not compulsory
- Investment in Listed equities and debt and any other securities permissible under FEMA
- Individual Limit of 5% of total paid up equity capital in any company, and an overall composite limit of 10%. This limit of 10% can be raised to 24%

## 3.2. Other routes to access Indian securities:

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

### 3.2.1. Depository Receipts:

Indian companies are permitted to raise capital through issuance of Depository Receipts, namely, Global Depository Receipts (GDRs)/ American Depository Receipts (ADRs), to foreign investors i.e. institutional investors or individuals (except NRIs) residing abroad. A Depository Receipt (DR) is a negotiable instrument in the form of a certificate denominated in foreign currency against underlying equity shares of the Indian company. The DRs are listed on international stock exchanges of the specified jurisdiction. The present list of permissible jurisdictions and International stock exchanges

as specified by SEBI is given below. The certificates are issued through an overseas depository bank against a specified quantity of underlying Indian stocks/ shares held with a local custodian bank. DRs facilitate cross border trading and settlement, minimise transactions costs and broaden the potential base, especially among institutional investors.

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

### Permissible Jurisdictions and International Exchanges where DRs can be listed

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

### 3.2.2. Offshore Derivative Instruments:

Offshore Derivatives Instruments (ODI) are issued by a registered FPI to other foreign investors seeking to access the Indian capital market. Issuance & reporting of such instruments are governed under SEBI (FPI) Regulations.

ODIs are covered in more detail in Chapter 9.

### 3.2.3. INR Denominated Bonds Issued Offshore

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

Following guidelines as issued by RBI should be adhered to:

- The bonds can only be issued in a country and subscribed by a resident of a country:
  - That is a member of Financial Action Task Force (FATF) or a member of a FATF- Style Regional Body, and
  - Whose securities market regulator is a signatory to the International Organisation of Securities Commission's (IOSCO's) Multilateral Memorandum of Understanding (Appendix A Signatories) or a signatory to bilateral Memorandum of Understanding with the Securities and Exchange Board of India (SEBI) for information sharing arrangements, and
  - Should not be a country identified in the public statement of the FATF as a jurisdiction

- deficient in or has not made sufficient progress in addressing the deficiencies related to Anti-Money Laundering policies
- Multilateral and Regional Financial Institutions where India is a member country are permitted to invest in these bonds
- The all-in-cost ceiling for such bonds will be 450 basis points over the prevailing yield of the Government of India securities of corresponding maturity
- Minimum average maturity is 3 years, though RBI may prescribe different minimum average maturity for specified sectors
- End-use Restriction - The proceeds of the borrowing can be used for all purposes except for the following:
  - Real estate activities
  - Investing in capital market and using the proceeds for equity investment domestically
  - Working capital purposes except from foreign equity holder
  - General corporate purposes except from foreign equity holder
  - Repayment of Rupee loans except from foreign equity holder
  - On-lending to other entities for any of the above purposes

### 3.2.4. Foreign Currency Convertible Bonds (FCCBs)

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

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

## 3.3. Composite Sectoral caps

The Government of India has introduced composite sectoral caps for simplification of FDI policy to attract foreign investments. Composite Sectoral cap will include all types of direct and indirect foreign investment, regardless of whether the investment has been made under Foreign Direct Investment (FDI), Foreign Portfolio Investment (FPI), Foreign Venture Capital Investment (FVCI), Limited Liability Partnerships (LLPs), Depository Receipts (DRs), and investments by Non-resident Indians (NRIs).

### 3.4. 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	Listed Equity	Yes	Yes*	Yes*
	Unlisted Equity	No	Yes	Yes
	Preference shares (fully, compulsory and mandatorily convertible)	Yes	Yes	Yes
	Warrants	Yes	Yes	Yes
	Corporate Bonds – Convertible (compulsory and mandatory)	Yes*	Yes	Yes
	Partly Paid Shares	Yes	Yes	No
Fixed Income	Dated Government Securities	Yes	No	No
	Treasury Bills	Yes*	No	No
	Municipal Bonds	Yes	No	No
	Commercial Paper	Only under VRR	No	No
	Repo Transaction	Only under VRR*	No	No
	Corporate Bonds – Non-Convertible	Yes*	No	Yes*
	Corporate Bonds under default	Yes*	No	No
	Unlisted Corporate Bonds – Non-Convertible***	Yes	No	Yes*
	Overseas INR denominated Bond (Masala Bonds)	Yes	No	No
	Debt instruments issued by banks, eligible for inclusion in regulatory capital	Yes	No	No
	Credit Enhanced Bonds	Yes	No	No
	Rupee denominated bonds/ units issued by Infrastructure Debt Funds	Yes	No	No
	Securitised Debt Instrument	Yes*	No	No
Mutual Funds	Units of Mutual Funds	Yes**	No	No
	Exchange Traded Funds (ETFs) (excluding gold ETFs)	Yes	No	No
Derivative Contracts	Index Futures	Yes	No	No
	Index Options	Yes	No	No
	Stock Futures	Yes	No	No
	Stock Options	Yes	No	No
	Interest Rate Futures	Yes	No	No
	Currency Derivatives (ETD & OTC)	Yes*	No	No
	Cross-Currency Derivatives	Yes	No	No
	Interest Rate Swap	Yes*	No	No

Market Segment	Instrument type	FPI	FDI	FVCI
Securities Lending & Borrowing (SLB) Segment	Listed Equity	Yes	No	No
Others	Units of Collective Investment Schemes	Yes	No	No
	Security Receipts issued by ARC	Yes	No	No
	Units of Category I - Alternative Investment Funds	No	Yes	Yes
	Units of Category II - Alternative Investment Funds	No	Yes	No
	Category III - Alternative Investment Funds	Yes	Yes	No
	Units of Real Estate Investment Trusts	Yes	Yes	No
	Units of Infrastructure Investment Trusts	Yes	Yes	No

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

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

\*\*\* Unlisted Corporate Bonds are subject to end use restriction

FPIs are not permitted to invest in partly paid debt instruments

# 4 Foreign Direct Investment (FDI)

Foreign Direct Investments (FDI) in India attract provisions of the Foreign Exchange Management Act, 1999 (FEMA) and are subject to the regulations and directions issued by the Government of India (GoI) and Reserve Bank of India (RBI).

## 4.1. Regulatory framework governing Foreign Direct Investments

- Consolidated FDI Policy issued by Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry
- Foreign Exchange Management Act, 1999
  - Foreign Exchange Management (Non-debt Instruments) Rules, 2019 (Non-Debt Rules)
  - Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019 (Non-Debt Payment and Reporting Regulations)

## 4.2. Entry routes for FDI

Investments under FDI are permitted under Automatic route or Government approved route based on the sector

### 4.2.1. Automatic Route

Investment by a person resident outside India does not require the prior approval from GoI or RBI.

### 4.2.2. Government Approved Route

Investment by a person resident outside India in certain specified sectors requires prior approval from Government of India. In addition, entities or beneficial owners of the entities (direct or indirect) based in or citizen of countries which share land border with India, should seek prior approval from Government of India

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

### 4.2.3. Aggregate Foreign Portfolio Investment

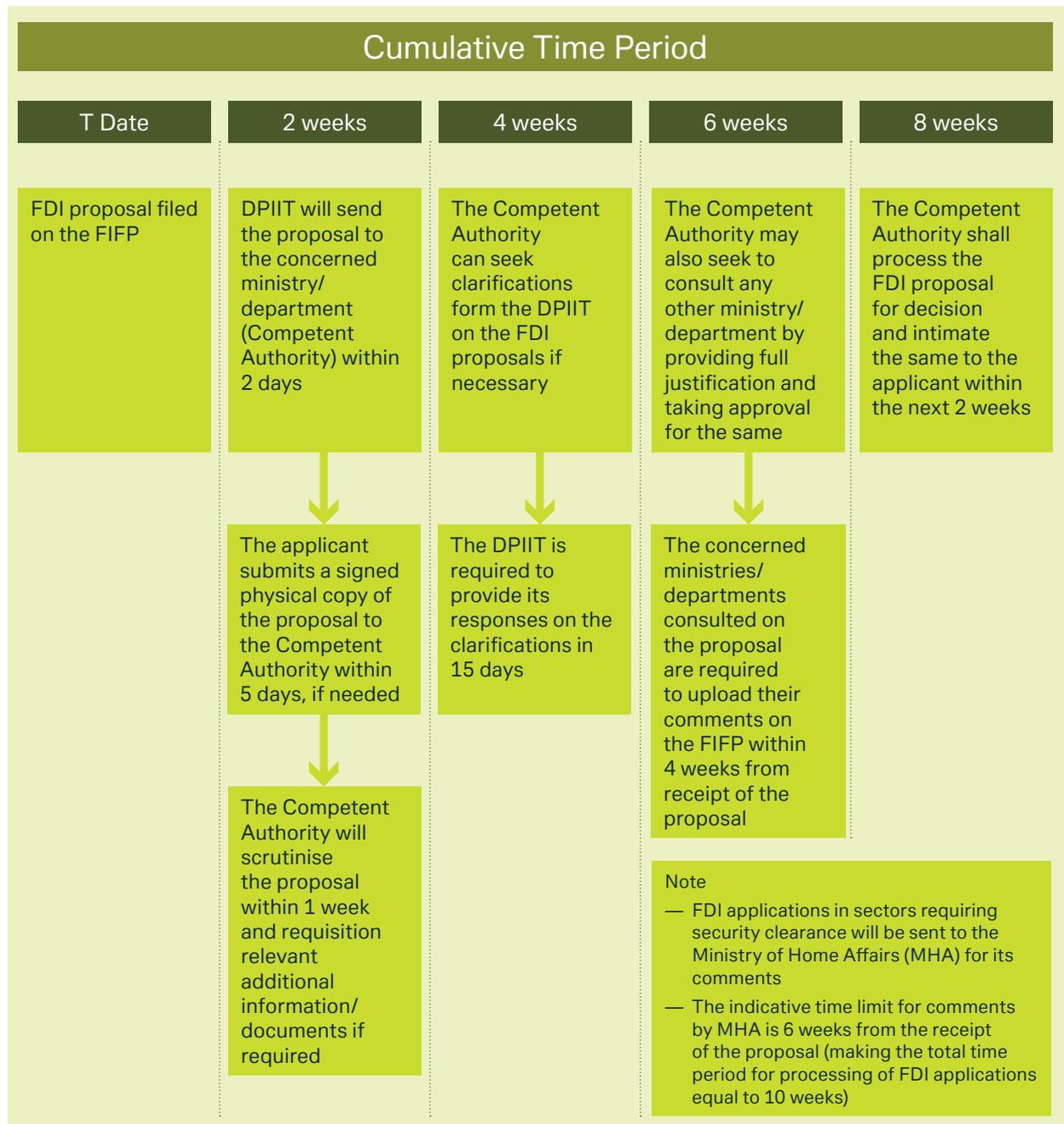
Up to 49% of the paid-up capital on a fully diluted basis or the sectoral/ statutory cap, whichever is lower, will not require Government approval or compliance of sectoral conditions as the case may be, if such investment does not result in transfer of ownership and control of

the resident Indian company from resident Indian citizens or transfer of ownership or control to persons resident outside India. Other investments by a person resident outside India will be subject to conditions of Government approval and compliance of sectoral conditions as laid down in Non-Debt Rules.

### 4.3. Procedure for Government approval

- Online Filing of Application:
  - The applicant is required to submit the proposal for foreign investment on the portal and along with supporting documents
  - DPIIT will identify the concerned Administrative Ministry/ Department and e-transfer the proposal to the respective competent authorities within 2 days
  - No physical copy required to be submitted, if the application and documents are digitally signed. For applications which are not digitally signed, DPIIT would inform the applicant through online communication to submit one signed physical copy of the proposal to the Competent Authority, within 5 days of receipt of such communication.

## Timelines for application approval



The list with the names of Competent Authorities for grant of approval for sectors/ activities

Administrative Ministry/ Department	Sector/ Activity
Ministry of Mines	Mining
Department of Defence Production, Ministry of Defence	Defence
Ministry of Home Affairs	Manufacturing of small arms, Private security agencies, Investments from Pakistan and Bangladesh
Ministry of Information and Broadcasting	Broadcasting, Print Media
Ministry of Civil Aviation	Civil Aviation
Department of space	Satellites
Department of Telecommunications, Ministry of Communications	Telecom
Department of Industry and Internal Trade (DPIIT), Ministry of Commerce & Industry	Trading (single and multi-brand and food products retailing), Issue of equity shares against import of capital goods/ machinery/ equipment (excluding second hand machinery) Issue of equity shares against pre-operative/ pre-incorporation expenses (including payments of rent, etc.) Proposals by NRIs/ EOUs requiring Government approval
Department of Economic Affairs, Ministry of Finance	Financial services requiring approval, Foreign investment into a core investment company/ investing company
Department of Financial Services, Ministry of Finance	Banking (public and private)
Department of Pharmaceuticals, Ministry of Chemicals and Fertilizers	Pharmaceuticals

- The procedure and time lines for processing of applications are:
  - The application is circulated online by DPIIT to RBI for comments from FEMA perspective. Application for foreign investment in sectors requiring security clearance would additionally be referred to Ministry of Home Affairs for comments
  - All proposals are forwarded to Ministry of External Affairs (MEA) and Department of Revenue (DoR) for information
  - Categories of proposals which require security clearance from Ministry of Home Affairs have been provided by the Standard Operating Procedure (SOP)
  - Applications involving total foreign equity inflow of more than INR 50 billion, is placed for consideration of Cabinet Committee on Economic Affairs. After the receipt of the decision of Cabinet Committee on Economic Affairs (CCEA), approval letter shall be issued within 1 week.

The detailed SOP can be accessed using the following link: [www.dipp.gov.in](http://www.dipp.gov.in)

— **Monitoring and Review:**

- Competent Authorities will hold a regular monthly review on the foreign investment proposals pending with them
- Joint quarterly review meeting, convened by DPIIT, will be held under the co-chairmanship of Secretary, DPIIT and Secretary, DEA on pendency of proposals with Government of India.

#### 4.4. FDI Policy circular

Under the FDI Scheme, investments can be made in shares, mandatorily and fully convertible debentures and mandatorily and fully convertible preference shares of an Indian company by non-residents through either the Automatic Route or through the Government Route

The FDI policy of Government of India can be accessed at

[http://dipp.nic.in/sites/default/files/CFPC\\_2017\\_FINAL\\_RELEASED\\_28.8.17.pdf](http://dipp.nic.in/sites/default/files/CFPC_2017_FINAL_RELEASED_28.8.17.pdf)

##### Sectors under Automatic route

Sectors allowed under Automatic route, subject to conditions can be accessed at

[https://dipp.gov.in/sites/default/files/Sectors\\_under\\_Automatic\\_Route\\_with\\_Conditions\\_25062019.pdf](https://dipp.gov.in/sites/default/files/Sectors_under_Automatic_Route_with_Conditions_25062019.pdf)

##### Sectors under Government approval route

Sector's requiring government approval can be accessed at

[https://dipp.gov.in/sites/default/files/Sectors\\_where\\_Government\\_Approval\\_is\\_required\\_25062019.pdf](https://dipp.gov.in/sites/default/files/Sectors_where_Government_Approval_is_required_25062019.pdf)

#### 4.5. Prohibited Sectors for FDI

FDI is prohibited in the following sectors:

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

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

#### 4.6. Eligibility Norms

Person resident outside India can invest in Indian companies, subject to the FDI Policy except in those sectors/ activities which are part of the prohibited list.

An entity of a country, which shares land border with India or the beneficial owner of an entity (directly or indirectly) seeking to invest into India is situated in or is a citizen of any such country, shall invest only with prior Government approval

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

## 4.7. Account Structure

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

INR/ Foreign Currency cash account is not permitted to be opened. All flow of funds are through the normal banking channels or through an escrow account.

## 4.8. Caps on investment

Investments by person resident outside India in any resident Indian entity is permitted to the extent of the sectoral cap as specified in the FDI policy.

## 4.9. Conditions on investment

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

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

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

## 4.10. Modes of Investment under FDI Scheme

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

- I. Issuance of fresh shares by the company:
  - An Indian Company may issue fresh equity instruments under the FDI Scheme to a person resident outside India subject to compliance with the extant FDI policy and the FEMA Rules
  - Indian company may issue fully paid-up equity shares to a person resident outside India
    - At a price not less than the price calculated as per SEBI guidelines for a listed company
    - At a price not less than the valuation of such unlisted Indian company as per internationally accepted methodology and duly certified by a Merchant Banker/ Chartered Accountant
  - Indian Company may issue equity instruments to a person resident outside India if the Indian investee company is engaged in an automatic route sector, against:
    - Swap of equity instruments
    - Import of capital goods or machinery or equipment (excluding second-hand machinery)
    - Pre-operative or pre-incorporation expenses (including payments of rent etc.)
  - Against any funds payable by it to such person resident outside India, provided remittance of such funds is permitted, under the FEMA Act or rules or directions specified
  - The capital instruments should be issued within 180 days from the date of receipt of the remittance. If not issued the amount of consideration should be refunded
- II. Acquisition by way of transfer of existing shares by person resident in or outside India:
  - A person resident outside India (who is not NRI/ OCI) can purchase/ transfer by way of sale or gift the capital instruments of an Indian company or units held by him to another person resident outside India
  - Transfer from a person resident outside India to a person resident in India shall not exceed
    - The price calculated as per SEBI guidelines for a listed company
    - Valuation of an unlisted Indian company as per internationally agreed methodology and duly certified by a Merchant Banker/ Chartered Accountant

- Against swap of capital instruments if the Indian company is engaged in automatic route sector.
- A person resident outside India may purchase capital instruments of a listed Indian company on a stock exchange in India if:
  - The person resident outside India making the investment has already acquired control of such company in accordance with SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011 and continues to hold such control
  - Consideration to be paid as inward remittance from normal banking channels or out of the dividend payable by the Indian investee company under specified conditions

## 4.11. Inflow

The consideration amount paid by a person resident outside India for acquisition of shares of the Indian company under the FDI scheme can be by:

- Inward remittance through normal banking channels
- Debit to NRE/ FCNR / Escrow Account maintained with an AD category I bank under Foreign Exchange Management (Deposit) Regulations.

## 4.12. Regulatory Reporting of transactions

Reports	Reporting to	Frequency	Responsibility	Remarks
FDIs: Reporting requirement				
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	Indian company through its AD Category I Bank	
Transfer of Shares between resident and non-resident (Form FC-TRS)	RBI	To be filed within 60 days from the date of the receipt of consideration	Transferor/ transferee through its AD Category I Banks	Onus of filing with the resident investor

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

### 4.13. Remittance of Sale proceeds

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

# 5 Foreign Venture Capital Investors (FVCI)

Venture Capital Investments are seen as an important channel to promote innovation, enterprise and conversion of scientific technology and knowledge-based ideas into commercial production. The considerable potential of venture capital funds for augmenting the growth of knowledge-based industries is relevant to several areas such as information technology, bio-technology, pharmaceuticals, agriculture, food processing, telecommunications, services, etc.

## 5.1. Definitions

**Venture capital fund** means a fund registered with the SEBI under the SEBI (Venture Capital Funds) Regulations, 1996 or under the SEBI (Alternative Investment Funds) Regulations, 2012 in the sub-category of "Venture Capital Fund" under Category I Alternative Investment Fund.

**Venture capital undertaking** means a domestic company:

- Which is not listed on a recognised stock exchange in India at the time of making investment
- Which is engaged in the business for providing services, production or manufacture of article or things and does not include following activities or sectors:
  - Non-banking financial services (except those registered with RBI and categorised as Equipment Leasing or Hire Purchase companies)
  - Gold financing (excluding those companies which are engaged in gold financing for jewellery)
  - Activities not permitted under the Industrial Policy of Government of India
  - Any other activity which may be specified by SEBI

**Investee Company** means any company, special purpose vehicle or limited liability partnership or body corporate or real estate investment trust or infrastructure investment trust in which an Alternative Investment Fund makes an investment.

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

## 5.2. Market Entry

Person resident outside India seeking to invest in an Indian company under the venture capital route need to seek registration from SEBI as a FVCI.

### 5.2.1. Registration

For the purpose of seeking registration, the applicant shall make an application to SEBI in Form A as prescribed under SEBI (Foreign Venture Capital Investors) Regulations 2000 along with the application fee.

Eligibility Criteria	<ul style="list-style-type: none"> <li>— Applicant is an investment company, investment trust, investment partnership, pension fund, mutual fund, asset management company, investment manager or investment management company or any other investment vehicle incorporated outside India</li> <li>— Applicant is authorised to invest in venture capital fund or carry on activity as a FVCI or Alternative Investment Fund in its jurisdiction</li> <li>— Professional Competence, Financial soundness, Experience, General reputation of fairness, Integrity</li> <li>— The applicant is regulated by an appropriate foreign regulatory authority or is an income tax payer; or submits a certificate from its banker of its or its promoter's track record where the applicant is neither a regulated entity nor an income tax payer</li> <li>— To determine as to whether the applicant is a fit and proper person, SEBI may take account of any consideration as it deems fit, including but not limited to the following criteria in relation to the applicant, the principal officer, the director, the promoter and the key management persons               <ul style="list-style-type: none"> <li>— Integrity, reputation and character</li> <li>— Absence of convictions and restraint orders</li> <li>— Competence including financial solvency and network</li> <li>— Absence of categorisation as a wilful defaulter</li> </ul> </li> </ul>
Information to be provided	<ul style="list-style-type: none"> <li>— Information or clarification with respect to the Investment strategy, commitment letters from Investors, life cycle of funds, etc.</li> </ul>
Conditions of Certificate	<ul style="list-style-type: none"> <li>— Certificate granted to the foreign venture capital subject to the conditions</li> <li>— Abide by the provisions of the Act, and these regulations</li> <li>— Appoint a SEBI registered custodian for purpose of safekeeping of securities</li> <li>— Shall open an operating non-resident rupee and foreign currency account</li> </ul>

### 5.2.2. Documentation Requirements

An FVCI, to be registered with the SEBI, has to submit the following documents/ declarations (in duplicate) along with the application (Form A) for FVCI registration:

- Application Form
- Copy of:
  - Certificate of registration with home regulator, or
  - Income tax return filed in the home country, or
  - Bankers certificate fair track record of the applicant
- Contact Person details along with name, address, contact no. and email ID
- Details of all the directors along with name, address, contact no and email ID
- Copy of Memorandum and Articles of Association/Constitution Document of the applicant. Please ensure that the main objects permit the applicant to carry on the activity of venture capital
- Structure Diagram of the Applicant

- State whether the applicant or any of its directors has not been refused a certificate by SEBI
- State whether the applicant is registered with SEBI or any other regulatory authority in any capacity in India or has filed for registration with SEBI in any other capacity
- Write up on Directors/ Key personnel of the FVCI. The write up should include the educational qualifications, the past experiences etc
- Disclose the investment strategy as required under Regulation 11(a) of the SEBI (Foreign Venture Capital Investors) Regulations, 2000. The Investment strategy along with the duration of Life cycle of the Fund.
- Declaration in respect of “Fit and Proper Person” criteria as per regulation 4A of the SEBI (Foreign Venture Capital Investors) Regulation, 2000 and as specified under Schedule II of the Securities and Exchange Board of India (Intermediaries) Regulation, 2008
- Copy of latest financial statements of the applicant or the promoters
- Copy of custodian agreement, entered into, with a SEBI registered custodian
- Certified copy of Business license (if any), issued by the regulatory agency abroad, with which the applicant is registered.
- Confirm that the applicant have appointed a designated Bank in India
- ‘Firm Commitment Letter’ from the applicant clearly specifying that ‘x’ amount (in INR terms) would be invested within a specific period. This is a very critical requirement from SEBI Please also note that the amount mentioned has to be a confirmed amount and cannot be ‘approximate or tentative’
- Firm commitment letters from investors of the applicant for contributions aggregating to at least USD 1 million
- Copies of financial statements as well as those of the applicant’s investors who have provided firm commitment letters, for the financial year preceding the one during which this application is being made
- Name, address, contact number and the e-mail address of all investors of the applicant providing firm commitment letters

### 5.2.3. Online filing of application

- All new applications for FVCI registration will be accepted online only through the SEBI Intermediary Portal
- All registered FVCIs are required to file their compliance reports and submit applications for any request under FVCI Regulations, through the online system. SEBI registered FVCIs will be required to activate their online accounts
- An FVCI is required to appoint a SEBI registered custodian and will have to enter into an arrangement with a designated bank for the purpose of opening a special non-resident Indian rupee and/ or foreign currency account. The FVCI or a Global Custodian acting on behalf of the FVCI shall enter into an agreement with the appointed custodian
- An application which is not complete shall be rejected by SEBI. Before rejecting any such application, the applicant shall be given an opportunity to remove the objections indicated within thirty days of the date of receipt of communication, this period may further be extend by SEBI, at its discretion, but will not be extended not beyond ninety days

### 5.2.4. Fees

Fee Type	Amount (in USD)	When paid
Application Fee	2,500	At the time of application
Registration Fee	10,000	Once in-principle approval is granted

The fees are payable by way of direct credit in the bank account through NEFT/ RTGS/ IMPS or by bank draft in favour of “The Securities and Exchange Board of India” payable at Mumbai. Any other mode allowed by RBI would be acceptable.

### 5.2.5. Account Structure

- For undertaking transactions as a FVCI post receipt of the approval from SEBI, the entity is permitted to open
  - A securities and Depository account with the Custodian
  - A non-interest bearing foreign currency account and Special Non-resident Rupee account with an Authorised Dealer Bank

### 5.2.6. FVCI allowed registration as FPI

Designated Depository Participants (DDPs) are allowed to grant registration as FPI to applicants holding registration as FVCIs, subject to the following:

- Applicant complies with the eligibility criteria as prescribed under SEBI (FPI) Regulations, 2019 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, including investment limit of below 10% of the total paid up capital of the company on a fully shall be applicable across FPI and FVCI investment clubbed together

## 5.3. Investment Guidelines

### 5.3.1. Permitted Sectors and transactions

A FVCI which has obtained registration under the Securities and Exchange Board of India (FVCI) Regulations, 2000, can invest in:

- Securities (not listed on a recognised stock exchange at the time of issue), of an Indian company engaged in the following sectors:
  - Biotechnology
  - IT related to hardware and software development
  - Nanotechnology
  - Seed research and development
  - Research and development of new chemical entities in pharmaceutical sector
  - Dairy industry
  - Poultry industry
  - Production of bio-fuels
  - Hotel-cum-convention centres with seating capacity of more than three thousand
  - Infrastructure sector (This will include activities included within the scope of the definition of infrastructure under the External Commercial Borrowing guidelines/ policies notified under the extant FEMA Regulations as amended from time to time)
- Securities issued by an Indian 'start-up' irrespective of the sector in which the start-up is engaged
  - A start-up will mean an entity (private limited company or a registered partnership firm or a limited liability partnership) incorporated or registered in India not prior to five years, with an annual turnover not exceeding INR 250 million in any preceding financial year, working towards innovation, development, deployment or commercialisation of new products, processes or services driven by technology or intellectual property and satisfying certain

- conditions given in the Regulations
- Units of a Venture Capital Fund (VCF) or of a Category I Alternative Investment Fund (Cat-I AIF) (registered under the SEBI (AIF) Regulations, 2012) or units of a Scheme or of a fund set up by a VCF or by a Cat-I AIF
- There will be no restriction on transfer of any security/ instrument held by the FVCI to any person resident in or outside India
- An FVCI may purchase the permitted securities/ instruments either from the issuer of those securities/ instruments or from any person holding those securities/ instruments
- FVCI may acquire/ transfer securities, it is allowed to invest in, at a price mutually acceptable to both buyer and seller
- Investment by an FVCI in capital instruments of an Indian company will be subject to the reporting, sectoral caps, entry routes and attendant conditions

### 5.3.2. Investment Criteria

All investments to be made by an FVCI should adhere to the following conditions:

- FVCIs investments should in accordance with the investment strategy submitted to SEBI
- It can invest its total funds committed in 1 venture capital fund or AIF
- FVCIs cannot invest in companies engaged in activities which have been classified under the negative list of the SEBI FVCI Regulations 2000. The negative list includes
  - Non-banking financial services (except those registered with RBI and categorised as Equipment Leasing or Hire Purchase companies)
  - Gold financing (excluding those companies which are engaged in gold financing for jewellery)
  - Activities not permitted under the Industrial Policy of Government of India
  - Any other activity which may be specified by SEBI
- FVCI are required to disclose the lifecycle of the fund to SEBI
- FVCI investments are subject to following limits :
  - At least 66.67% of the investible funds has to be invested in unlisted equity shares or equity linked instruments of venture capital undertaking or Investee Company. Equity linked instruments includes instruments convertible into equity shares or share warrants, preference shares, debentures compulsorily or optionally convertible into equity
  - Maximum 33.33 % of the investible funds can be invested by way of:
    - IPOs of a venture capital undertaking or Investee Company as defined above, whose shares are proposed to be listed
    - Debt or debt instrument of a venture capital undertaking or Investee Company as defined above, in which the venture capital fund has already made an investment by way of equity.
    - Preferential allotment of equity shares of a listed company, subject to a lock-in period of 1 year
    - Special Purpose Vehicles, which are created for the purpose of facilitating or promoting investment under the SEBI FVCI Regulations 2000

### 5.3.3. Mode of payment

The amount of consideration to be paid as inward remittance from abroad through banking channels or out of funds held in a foreign currency account and/ or a Special Non-Resident Rupee (SNRR) account

### 5.3.4. Remittance

The sale/ maturity proceeds (net of taxes) of the securities may be remitted outside India or may be credited to the foreign currency account or a Special Non-resident Rupee Account of the FVCI

## 5.4. Reporting requirement

- All registered FVCIs are required to file their compliance reports, through the online system. The portal can be accessed at <https://siportal.sebi.gov.in/intermediary/index.html>
- FVCIs are required to report to SEBI, its venture capital activity (investment category wise i.e. equity, debt or VCF and industry wise) for each calendar quarter through the online portal
- FVCIs are required to report to RBI through its designated AD Category Bank, its venture capital activity monthly in the format as specified by RBI from time to time

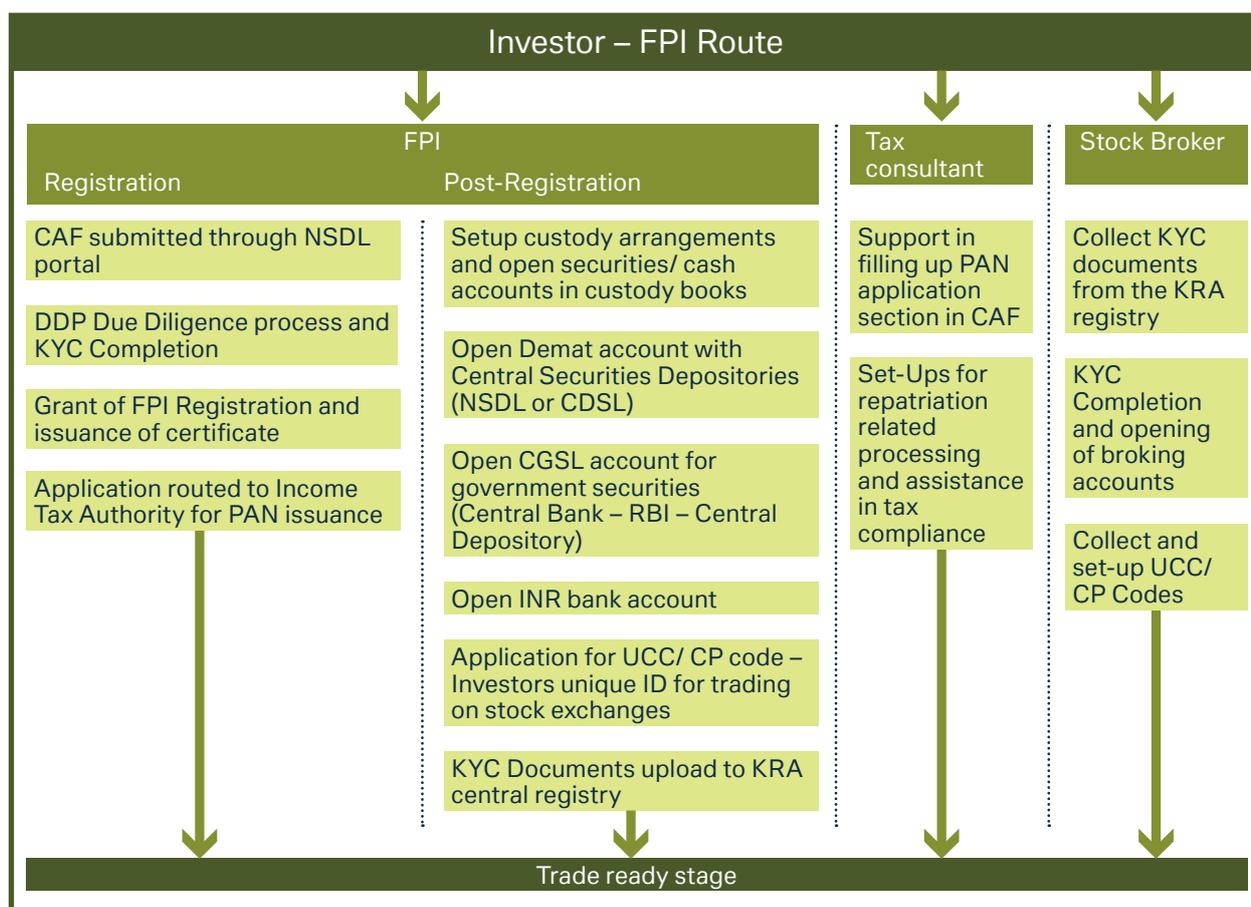
Report	Reporting To	Frequency	Responsibility	Remarks
Foreign exchange Inflow and outflow reporting in prescribed format	RBI	Monthly	FVCI through its AD Category I Bank	Within 10th of the next month for previous month
Details of investment in permitted sectors as per the prescribed format	RBI	Monthly	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 3 working days from the end of the previous quarter

# 6 Foreign Portfolio Investor (FPI) — Market Entry

## 6.1. Introduction

Foreign Portfolio Investor category came into existence in 2014 by merging the erstwhile Foreign Institutional Investor (FII/ Sub account) route and the Qualified Foreign Investor (QFI) route. This also brought about important changes to market mechanisms, aimed at efficiency and global standards in key market processes. In 2019, SEBI introduced transformational change to improve ease of doing business, aimed to simplify and rationalize the existing regulatory framework for FPIs in terms of the operational constraints and compliance requirements

### Market Entry Process for FPI



## 6.2. Designated Depository Participant (DDPs)

Designated Depository Participant (DDP) is an intermediary approved by Securities and Exchange Board of India (SEBI), and should be a custodian of securities registered with SEBI, an Authorised Dealer Category- I bank authorised by RBI and a Depository Participant. The role of DDP is to perform the due diligence as per the FPI regulations, on the application and supporting documents received from the FPI, and grant them a registration for portfolio investments into Indian market. The market registration was earlier performed by SEBI and was shifted to a DDP in 2014. The DDP need to grant registration to the applicant within a period of 30 days from the date of receipt of completed application, supporting documents and the applicable fees.

The FPI is also required to enter into an agreement with the respective DDP, to act as custodian of securities, before making investment under these FPI regulations.

## 6.3. FPI Eligibility Criteria

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

- The applicant is not a resident Indian
- The applicant is not a Non-Resident Indian (NRI) or Overseas Citizen of India (OCI)
- NRI or Overseas Citizens of India or resident Indians can be constituents of FPIs, if they satisfy following conditions:
  - Contributions by NRI/ OCI/ Resident Indians (RI) including those of NRI/ OCI/ RI controlled Investment Manager should be:
    - Below 25% of corpus of FPI, from a single NRI/ OCI/ RI, and
    - In aggregate, below 50% of corpus of FPI
  - RI's contribution permitted is that made through Liberalised Remittance Scheme (LRS) approved by RBI in global funds whose Indian exposure is less than 50%
  - NRI/ OCI/ RI cannot be in control of FPI. However, FPIs can be controlled by Investment manager which are owned/controlled by NRI/ OCI/ RI if the following conditions are satisfied:
    - The investment manager entity is appropriately regulated in its home jurisdiction and registers itself with SEBI as a non-investing FPI, or
    - The investment manager is an entity incorporated or setup under Indian laws and appropriately registered with SEBI, or
    - FPIs which are 'offshore funds' for which no-objection certificate has been provided by SEBI in terms of SEBI (Mutual Funds) Regulations, 1996
- The applicant is resident of a country whose securities market regulator is a signatory to International Organization of Securities Commission's (IOSCOs) Multilateral Memorandum of Understanding (MMoU) (Appendix-A Signatories) or a signatory to bilateral Memorandum of Understanding (MOU) with SEBI.
- Government or Government related entities from Non-IOSCO jurisdiction are eligible for FPI registration, if they are resident in a country as may be approved by Government of India (GoI). For such entities, the application would be processed in consultation with SEBI and GoI.

The current list of permissible IOSCO jurisdictions can be accessed at <https://www.iosco.org/about/?subSection=mmou&subSection1=signatories>.

List of countries that have bilateral MOU with SEBI is available at [http://www.sebi.gov.in/cms/sebi\\_data/internationalAffr/IA\\_BilMoU.html](http://www.sebi.gov.in/cms/sebi_data/internationalAffr/IA_BilMoU.html)

- In case the applicant is a bank, it should be a resident of a country whose central bank is a member of Bank for International Settlements (BIS). If a Central Bank is the applicant, the central Bank need not be member of BIS, provided they have specific approval from Government of India

List of countries whose Central Bank is a member of the BIS is available at [http://www.bis.org/about/member\\_cb.htm](http://www.bis.org/about/member_cb.htm)

- Banks regulated by the banking sector regulator in their home jurisdiction, whose central bank is not a member of BIS, are permitted to seek registration under Category II
- FPI or its underlying investor contributing 25% or more of the corpus or identified on basis of control should not be in sanctions list notified by UN Security Council or a jurisdiction mentioned in public statement of FATF as:
    - A jurisdiction having a strategic AML or Combating the Financing of Terrorism (CFT) deficiencies to which counter measures apply, or
    - A jurisdiction that has not made sufficient progress in addressing deficiencies or has not committed to an action plan developed with the FATF to address the deficiencies
- List of countries that are listed in the public statements issued by FATF is available at <http://www.fatf-gafi.org/topics/high-riskandnon-cooperativejurisdictions>
- The applicant is a fit and proper person based on the criteria specified in Schedule II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008
  - Any other criteria specified by SEBI from time to time.
- 'From a FATF member country' means that the entity has its primary place of business in a FATF member country and, if regulated, is appropriately regulated in a FATF member country

## 6.4. Categorisation

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

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

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

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

### Notes to categorization table

- **Appropriately regulated** - An entity which is regulated by the securities market regulator or the banking regulator of home jurisdiction or otherwise, in the same capacity in which it proposes to make investments in India
- **Government agency**- An entity in which more than 75% of ownership or control is held by the Government of a foreign country
- **Investment manager** - shall include an entity performing the role of investment management or any equivalent role, including trustee

## 6.5. FPI Registration documentation and Fees requirement

### 6.5.1. Common Application Form

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

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

FPIs will have to submit a single application form through CAF and Annexure to CAF, along with supporting documents and applicable fees for SEBI registration and issuance of PAN. CAF is available on NSDL website and can be accessed as web based application. Other intermediaries dealing with FPIs may rely on the information in CAF for the purpose of KYC. Application for allotment of PAN (which would be a part of CAF) would be forwarded to Income Tax Authority in prescribed Form 49AA, through signature of authorised signatories of Designated Depository Participants (DDPs), after FPI registration certificate is generated.

### 6.5.2. Registration Documentation

Documentation requirement for registration as FPI:

- Common Application Form
- Annexure to CAF
- KYC Documentation and Other registration documents (Refer Appendix)

### 6.5.3. Registration Fee

The registration fee structure is summarised below.

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

Note - The fee is exempt 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

The DDPs receiving the applicable registration fees from the FPIs are responsible to transfer the funds to the designated bank account of SEBI on a monthly basis. An FPI desirous to be re-categorized from Category II FPI to Category I, can request to DDP along with requisite information, documents and payment of applicable fees.

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

### 6.5.4. Registration process and timelines

In order to minimise delays and improve transparency in the processing of FPI applications, DDPs will issue acknowledgments to FPIs post the receipt of complete documentation and fees. DDPs may raise queries, if any, to the compliance officer of the applicant, post their due diligence at the time of processing the registration.

- The DDP has 30 days from the receipt of completed documentation and fees and/ or information (on queries raised), to either complete or reject the registration of FPI.
- In the absence of any revert from the applicant, or non-receipt of complete documentation/ fees, subsequent to sending 2 communication/ reminders, DDPs may consider closing/ returning the application within a total span of 10 days.

### 6.5.5. Registration Duration and Renewal of registration

The FPI registration is valid for a block of 3 years from the date of initial registration. For continuance of the registration, FPI need to file their continuance application along with applicable fee and inform change in information, if any, as submitted earlier, at least 15 days prior to current validity of its registration in order to facilitate a smooth continuance process. In case of no change in information, FPIs shall give declaration that there is no change in the information, as previously furnished.

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

FPI needs to have a valid registration as long as it is holding securities or derivatives in India. Any FPI holding securities without valid registration would be reported to SEBI.

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

## 6.6. Requirement of Permanent Account Number (PAN)

Every entity registered as a FPI in India is required to obtain tax registration number (PAN), prior to investing in the India market. PAN is also a mandatory requirement for opening of Cash and depository accounts. Tax registration is required to be quoted in all the communications with the tax authorities.

### a. Procedure for obtaining PAN card:

With the introduction of the Common Application Form, the registration process will be followed with the issuance of PAN by the Income Tax authorities. Post completion of FPI registration by the DDP on the NSDL portal, the relevant information and documents as submitted by the FPI as part of CAF will be forwarded to relevant Income tax authority.

Under the new process, PAN will be allotted within 1 day after completion of valid on-line application.

### b. Information and Documents required for PAN:

Below mentioned is a broad overview of information that need to be provided in the PAN application, in case of a legal entity such as Company/ Trust/ Partnership firm (i.e. other than foreign individual):

Sr. No	Details required for PAN as part of common application form
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
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) <ul style="list-style-type: none"> <li>a. Income from Business/ Profession</li> <li>b. Income from Capital Gain</li> <li>c. Income from Other Sources</li> </ul>
9	Know Your Customer (KYC) requirements as prescribed

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

## 6.7. Other Applicable Norms:

### 6.7.1. Name Change

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

- Information available on the website of the home regulator
- Certified copy of document(s) from home regulator evidencing the name change
- Certified copy of document(s) from Registrar of Company (or equivalent authority) (wherever

- applicable) issued, thereby evidencing the name change
- Where above is not applicable, a Board Resolution or equivalent authorizing the name change
- An undertaking by the FPI stating that it is a mere name change and does not involve change in beneficial ownership, category or structure

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

If there is a delay of more than 6 months in intimation of name change, by the FPI to the DDP, then the FPI is required to provide the reason for such delay. This delay is treated as violation of FPI Regulations and will be notified to SEBI and liable for penal action, as deemed fit, by SEBI.

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

### 6.7.2. Home jurisdiction compliance – change in status

- If a jurisdiction, which was compliant with 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 or sell the same in the market.
- The DDP shall inform SEBI of FPIs from such non-compliant jurisdiction

### 6.7.3. Change in Material Information

- Under the Regulations, if there is any change in material information previously furnished by the FPI to the DDP and/or SEBI, which has a bearing on the certificate granted, it shall forthwith inform the DDP and/ or SEBI of the change in such information  
Such material change may include the following:
  - Any direct or indirect change in its structure or ownership or control
  - Change in regulatory status
  - Merger, demerger or restructuring
  - Change in category/ sub-category / structure/ jurisdiction/ name of FPI or beneficial ownership
- The DDP shall examine all such material changes and re-assess the eligibility of the FPI
- Where there is a delay of more than 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

### 6.7.4. Change in DDP

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

- Submitted by the FPI or its GC, provided the GC has been explicitly authorised to take such steps by the FPI entity. In case of the request for change being received from a GC, the new/ transferee custodian/DDP should inform the Compliance Officer of the FPI regarding the change in their local custodian/DDP
- Approved by the new/ transferee custodian/DDP on receipt of the no objection letter from the existing/ transferor custodian/ DDP
- New/ transferee custodian/ DDP may rely on the due diligence carried out by the existing/ transferor custodian/ DDP
- The new/ transferee custodian/ DDP is required to carry out adequate due diligence at the

- time when the FPI applies for continuance of its registration on an ongoing basis
- FPIs to ensure the change of DDP/custodian is effected within 30 days of receipt of such approval
- Joint confirmation letter duly signed by the new as well outgoing custodian/DDP to be submitted to SEBI post completion.

### 6.7.5. Multi Managed FPI entities

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

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

### 6.7.6. Appropriately Regulated entities permitted to invest on behalf of clients

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

- Banks including Private Banks and Merchant Banks
- Asset Management Companies, Investment Managers, Investment Advisors, Portfolio Managers
- Insurance and Reinsurance entities
- Broker dealers and Swap dealers

Conditions under which the Category II registration would be granted

- Clients of FPI can only be individuals and family offices
- Client of FPI is eligible for registration as FPI and not be dealing on behalf of 3rd party
- If the FPI is from a Financial Action Task Force (FATF) member country, then the KYC of the clients of such FPI should be done by the FPI as per requirements of the home jurisdiction of the FPI
- FPIs from non-FATF member countries should perform KYC of its clients as per Indian KYC requirements
- FPI has to provide complete investor details of its clients on quarterly basis to the DDP in specified format
- Investments made by each client, either directly (as FPI) and/ or through its investor group shall be clubbed with the investments made by such clients (holding more than 50% in the FPI) through the above mentioned appropriately regulated FPIs

## Format for Quarterly Reporting

Name of FPI:

FPI Registration Number:

We herewith submit the investor details of our clients-

### Details of Clients

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

### 6.7.7. Surrender of Registration

A FPI intending to surrender its certificate of registration, 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.
- There should be NIL holdings of securities/ Cash in the FPI account and NIL positions in the derivative market. In the event of any outstanding holdings/ position, the FPIs need to divest prior to surrender of registration.
- No Objection has been issued by SEBI

#### Deemed surrender

Where FPI fails to pay the required fees for continuance of registration within the specified due date and such FPI does not have any cash or security or derivative position in India, the FPI will be deemed to have applied for surrender of its registration. The DDP would process this surrender after obtaining the approval from SEBI

### 6.7.8. Addition of Share Class

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

Existing FPIs with segregated portfolio are required to provide the BO details for each fund/ sub-fund/ share class/ equivalent structure that invests in India at the time of continuance of registration or within 6 months from the date of notification of the Regulations, whichever is later.

## 6.8. GENERAL OBLIGATIONS AND RESPONSIBILITIES OF FOREIGN PORTFOLIO INVESTORS

The 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 SEBI from time to time
- Forthwith inform SEBI and the DDP in writing, if any information or particulars previously submitted to SEBI or DDP are found to be false or misleading, in any material respect
- Forthwith inform SEBI and DDP in writing, if there is any material change in the information including any direct or indirect change in its structure or ownership or control, previously furnished by him to the SEBI or DDP
- As and when required by SEBI or any other government agency in India, submit any information, record or documents in relation to its activities as a FPI

- Forthwith inform SEBI and the DDP, in case of any penalty, pending litigations or proceedings, findings of inspections or investigations for which action may have been taken or is in the process of being taken by an overseas regulator against it
- Obtain a PAN from the Income Tax Department (PAN is required to be obtained by all FPIs including non-investing FPIs.)
- In relation to its activities as FPI, at all times, subject itself to the extant Indian laws, rules, regulations and circulars issued from time to time and provide an express undertaking to this effect to the DDP
- Provide any additional information or documents including beneficiary ownership details of their clients as may be required by the DDP or the SEBI or any other enforcement agency to ensure compliance with the Prevention of Money Laundering Act, 2002 and the rules and regulations specified thereunder, the Financial Action Task Force standards and circulars issued from time to time by SEBI
- Comply with fit and proper person criteria specified in SEBI (Intermediaries) Regulations, 2008. Undertake necessary KYC on its shareholders/ investors in accordance with the rules applicable to it, in the jurisdiction where it is organised
- Ensure that securities held by FPIs are free from all encumbrances

## 6.9. Code of Conduct:

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

- A foreign FPI and its key personnel shall observe high standards of integrity, fairness and professionalism in all dealings in the Indian securities market with intermediaries, regulatory and other government authorities.
- A FPI shall, at all times, render high standards of service, exercise due diligence and independent professional judgment.
- A FPI shall ensure and maintain confidentiality in respect of trades done on its own behalf and/or on behalf of its clients.
- A FPI shall ensure the following:
  - Clear segregation of its own money/ securities and its client's money/ securities.
  - Arms length relationship between its business of fund management/ investment and its other business.
- A FPI shall maintain an appropriate level of knowledge and competency and abide by the provisions of the Act, regulations made thereunder and the circulars and guidelines, which may be applicable and relevant to the activities carried on by it. Every 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 FPI shall not make any untrue statement or suppress any material fact in any documents, reports or information to be furnished to the DDP and/ or SEBI
- A FPI shall ensure that good corporate policies and corporate governance are observed by it
- A FPI shall ensure that it does not engage in fraudulent and manipulative transactions in the securities listed in any stock exchange in India
- A FPI or any of its directors or managers shall not, either through its/ his own account or through any associate or family members, relatives or friends indulge in any insider trading
- A FPI shall not be a party to or instrumental for:
  - creation of false market in securities listed or proposed to be listed in any stock exchange in India;
  - price rigging or manipulation of prices of securities listed or proposed to be listed in any stock exchange in India;
  - passing of price sensitive information to any person or intermediary in the securities market.

## 6.10. Account Structure for Foreign Portfolio Investors:

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

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

# 7 Comparative Tables

## 7.1 Effects of Categorisation:

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

Sr. No.	Details	FPI Category I	FPI Category II (Other than — Individuals, family offices and `corporate bodies)	FPI Category II (Individuals, family offices and corporate bodies)
1	Fees (Registration as well as Renewal)	USD 3000*	USD 300	USD 300
2	KYC	Simplified documentation. Less documents required compared to Category II FPIs.	Enhanced KYC requirements	Enhanced KYC requirements
3	Qualified Institutional buyer (QIB)	Yes	Yes	No QIB status

Sr. No.	Details	FPI Category I	FPI Category II (Other than — Individuals, family offices and `corporate bodies)	FPI Category II (Individuals, family offices and corporate bodies)
4	Issuance and Subscription of Offshore derivative instruments (ODIs)	Permitted FPIs are prohibited from issuing ODIs referencing derivatives. Except through a separate FPI account, ODIs can be issued referencing cash equity on the date of writing the ODI and then can move to derivatives positions thereafter, subject to a position limit of 5% of MWPL for single stock derivatives (or) in case of stock index derivatives, higher of INR 1 Billion or 5% open interest	Not permitted	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	Upfront margins on Day T
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 currency pair whichever is higher
7	Equity derivatives — Index Futures and Options	Position limit — higher of INR 5 billion or 15% of the total open interest in the market in the respective contracts**	Position limit — higher of INR 3 billion or 10% of the total open interest in the market in the respective contracts	Position limit — higher of INR 1 billion or 5% of the total open interest in the market in the respective contracts
8	Equity derivatives — Individual securities (Single Stock)	Position limit — 20% of the applicable Market Wide Position Limit (MWPL)	Position limits — 10% of the applicable MWPL	Position limits — 5% of the applicable MWPL

Sr. No.	Details	FPI Category I	FPI Category II (Other than — Individuals, family offices and `corporate bodies)	FPI Category II (Individuals, family offices and corporate bodies)
9	Interest Rate Futures	Trading member level Position limits 8-11 years maturity bucket — Higher of : 10% of Open Interest or INR 12 billion 4-8 and 11-15 year maturity bucket — Higher of : 10% of Open Interest or INR 6 billion	Trading member level Position limits 8-11 years maturity bucket - Higher of : 10% of Open Interest or INR 12 billion 4-8 and 11-15 year maturity bucket — Higher of : 10% of Open Interest or INR 6 billion	Client level position limits 8-11 years maturity bucket – Higher of 3% of Open Interest or INR 4 billion 4-8 and 11-15 year maturity bucket — Higher of 3% of Open Interest or INR 2 billion

\*Exemption granted to certain entities:

International or multilateral agency such as World Bank and other institutions established outside India for providing aid which have been granted privileges and immunities from payment of tax and duties by the Central Government

\*\*Additional Limits for Index Derivatives applicable to Category I FPIs are as follows:

- Short positions in index derivatives (short futures, short calls and long puts) not exceeding (in notional value) the FPI Category I holding of stocks
- Long positions in index derivatives (long futures, long calls and short puts) not exceeding (in notional value) the FPI's holding of cash, government securities, T bills and similar instruments

## 8 Know-Your-Client (KYC) Framework

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

FATCA/ CRS self-certification is a requirement for Registration and account opening by all market intermediaries. Each intermediary may require the self-certification form prior to on-boarding a new client.

### 8.1. KYC for FPI

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

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

<sup>2</sup> POA granted to Global custodian/ local custodian is accepted in lieu of Board Resolution (BR). BR and the authorized signatory list (ASL) is not required if SWIFT is used as a medium of instruction.

<sup>3</sup> UBO is not required for Government and related entities. Government issued ID number of UBO is required for Category II

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

Notes to the Table:

- i. FPIs to provide an undertaking that upon demand by Regulators/ Law Enforcement Agencies the exempted/ relevant document/s would be submitted to the intermediary
- ii. For FPI Category - I coming from high-risk jurisdiction (other than those registered under Regulation 5(a)(i)), the KYC documentation equivalent to FPI Category II shall apply
- iii. FPI Category – II registered under Regulation 5(b)(i), shall provide KYC documentation equivalent to FPI Category - I. However, BO details need to be provided in specified format
- iv. For non-PAN related KYC documents (including KYC form), a local custodian can rely on KYC carried out by another entity of the same financial group (like a Global Custodian or Investment Manager) which is regulated and coming from an FATF member country, where KYC is carried out as per their home jurisdiction standards. Where this reliance is placed, such entity/ FPI shall provide an undertaking to the effect that the relevant KYC documents, would be submitted to the DDP/ Local Custodian when required by regulator/ law enforcement agency/ government departments/ tax authority, etc. However, the Custodian/ local intermediary will be required to collect constitution documents and BO related declarations (wherever applicable) of the FPI and also, upload the evidence of KYC reliance on KRA
- v. Prospectus and Information Memorandum are acceptable in lieu of an official constitutional document
- vi. Valid FATCA/ CRS documentations is required to be submitted at the time of account opening
- vii. Intermediary can verify the PAN of FPIs online from website authorized by the Income-Tax department. To clarify no certification of PAN document required from FPI. Alternatively, e-PAN issued by CBDT can also be produced by FPI for KYC compliance without requiring any certifications. In such situations where the brokers is relying on KRA, it shall verify the PAN and download the available documents from KRA. PAN is not mandatory for UBO, senior management and authorized signatories of FPI
- viii. PAN is not mandatory for UN entities/ multilateral agencies exempt from paying taxes/ filing tax returns in India
- ix. Board Resolution and the authorized signatory list (ASL) is also not required if there is no exchange of physically signed documents/ agreements between the local Broker and the FPI or its authorized representative being an Investment Manager regulated in FATF member country
- x. Existing risk based KYC requirement applicable to FPIs should also be made applicable to securities account of FDI, FVCI/DR and FCCB accounts/ entities if the same entities are registered as FPIs
- xi. If all information required in KYC Form (Part I and II) is provided in Form itself, no separate KYC Form (Part I and II) will be required to be submitted

## Identification and verification of Ultimate Beneficial Ownership

- Beneficial Owners (BOs) are the natural persons who ultimately own or control an FPI and should be identified in accordance with Rule 9 of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005 (hereinafter referred as PMLA Rules)
- BOs of FPIs having General Partner/ Limited Partnership structure shall be identified on ownership or entitlement basis and control basis
- Category I FPI registered under Regulation 5(a)(i) are exempt from providing BO details
- The materiality threshold for identification of BOs of FPIs on controlling ownership interest (or ownership/ entitlement) basis shall be same as prescribed in PMLA Rules:

- 25% in case of company and
- 15% in case of partnership firm, trust and unincorporated association of persons
- For FPIs coming from 'high risk jurisdictions' a lower materiality threshold of 10% for identification of BO may be applied and also ensure KYC documentation as applicable for Category II FPIs
- The materiality threshold to identify the beneficial owner should be first applied at the level of FPI Next look through principle to be applied to identify the beneficial owner of the material shareholder/ owner entity
  - Only beneficial owner with holdings equal and above the materiality thresholds in the FPI need to be identified through the look through principle
  - For intermediate material shareholder/ owner entities, name, country and percentage holding shall also be disclosed as per Annexure E
  - No further identification and verification of beneficial owner required if intermediate shareholder/ owner entity is eligible for registration as Category I FPI under Regulation 5(a)(i)
  - If no material shareholder/ owner entity is identified in the FPI using the materiality threshold, BO would be the senior managing official of the FPI
- BO should not be person mentioned in United Nations Security Council's Sanctions List or from jurisdiction, which is identified in the public statement of Financial Action Task Force (FATF):
  - A jurisdiction having a strategic Anti-Money Laundering or Combating the Financing of Terrorism deficiencies to which counter measures apply
  - A jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with the FATF to address the deficiencies.
- The BOs thus identified as per above norms, for category II and III FPIs, need to provide the details as per the specified format:
  - The list should be certified by FPI, specifying that there are no other BO, other than those referred to in the list

### Format for providing Data points of UBO

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

## Format for Disclosing intermediate material shareholder/ owner entities, name, country and percentage holding (Annexure E)

### Ownership Basis

Information of Intermediate material shareholder/ owner- on Ownership basis Name	Direct/ Indirect Stake	Names of the Entities through which the stake in the FPI is held indirectly	Percentage stake held in the applicant	Country/ Nationality	Individual/ Non-Individual

### Control Basis

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

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

- Non-Resident Indians (NRIs)/ Overseas Citizen of India (OCI)/ Resident Indian (RI) cannot be BO of FPIs.
- NRI/ OCI/ RI holding individually should be less than 25% and in aggregate less than 50% in the corpus of the FPI
- NRI/ OCI/ RI cannot be in control of FPI
- An FPI promoted by NRI/ OCI is permitted, if it is a Category II (Cat II) Investment manager of other FPIs, and is registered as a non-investing FPI, or set up under Indian laws and registered with SEBI
- The above conditions are not applicable if the FPI is investing exclusively into Mutual Funds
- An applicant or an existing FPI not meeting above requirements shall comply within a period of 2 years from the date of registration or by December 31, 2020, whichever is later. In case of temporary breach of above investment limits after December 31, 2020, the foreign portfolio investor shall comply with the eligibility conditions within ninety days of its breach

## 8.2. Attestation of Documents:

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

### 8.3. Foreign Direct Investment and Foreign Venture Capital Investor

Document Type	Document	Corporate	Partnership firm	Trust
Entity Level	Constitutive Docs	Required – Copies of the Memorandum and Articles of Association and certificate of incorporation	Required – Copy of Partnership Deed Certificate of registration (If registered)	Copy of Trust Deed Certificate of Registration for registered Trusts
	Proof of Address	Required	Required	Required
	PAN Card	Required	Required	Required
	Financials	Copy of the balance sheets for the last 2 financial years (to be submitted every year)	Copy of the balance sheets for the last 2 financial years (to be submitted every year)	Copy of the balance sheets for the last 2 financial years (to be submitted every year)
	SEBI Registration Certificate	SEBI registration required for FVCI investors		
	Board/ Partner/ Member Resolution or any other equivalent document permitting investments in the securities market	Required	Required	Required
	FATCA/ CRS form	Required	Required	Required
	KYC Form – Form 11	Required	Required	Required
Senior Management (Whole Time Directors/ Partners/ Trustees etc.)	List	Required	Required	Required
	Proof of Identity	Required	Required	Required
	Proof of Address	Required	Required	Required
	Photographs	Required	Required	Required
Authorised Signatories	List and Signatures	Required	Required	Required
	Proof of Identity <sup>1</sup>	Required	Required	Required
	Photographs	Required	Required	Required
Ultimate Beneficial Owner (UBO)/ Shareholding Pattern	List	Required – until the Ultimate Beneficial Owner	Required – until the Ultimate Beneficial Owner	Required – until the Ultimate Beneficial Owner
	Proof of Identity	Required if UBO with substantial percentage identified	Required if UBO with substantial percentage identified	Required if UBO with substantial percentage identified
	Proof of Address	Required	Required	Required

## 8.4. Periodic KYC

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

Jurisdiction	FPI Category – I	FPI Category II
High Risk	<ul style="list-style-type: none"> <li>— Registered under Regulation 5(a) (i)</li> <li>— During continuance of registration</li> <li>— Others – Annually</li> </ul>	Annually
Non-High Risk	During continuance of registration	Regulated entities - during continuance of registration i.e. every 3 years — Others – Annually

- In the event of non-submission of KYC documents, on the applicable due date for KYC review, DDP/ local custodian/ intermediary may send a notice to FPI advising expeditious completion of KYC requirement and under no circumstances permit further purchase transactions to such clients after 90 days of the KYC review due date
- Self-Certification of supporting documents is no longer required. Clients to submit:
  - Originals along with the copies of all documents for verification, or
  - Copies which are properly attested by entities authorized for attesting the documents

## 8.5. KYC Registration Agency (KRA)

### 8.5.1. Upload of the KYC Information

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

### 8.5.2. Consent Mechanism

To lock personal information provided of Senior Managing Official (SMO), Beneficial Owners, Signatories, of Foreign Portfolio Investors (FPIs), KRAs have introduced Consent Based Mechanism (CBM).

- There will be a download consent flag which would record whether consent is required for download of KYC information by intermediaries and the flag is by default set to 'Yes'
- FPIs can have it set to 'No', to allow download of KYC information without consent

- FPIs would be required to provide name and contact details of Authorised Representatives (minimum 1, maximum 3)
- If the consent flag is marked as “Yes”, then a mail is sent to Authorised Representatives of FPIS requesting consent, whenever an intermediary tries to download the KYC information
- On receipt of consent from Authorised Representative, KRA will provide download of KYC details and supporting documents to concerned intermediary
- When KYC details of client are modified, KRA system will send download of KYC information to all intermediaries who have either uploaded/ downloaded/ modified KYC information of the concerned client
- Whenever the relationship between a FPI and the client is closed, the respective FPI or intermediary will inform KRAs to delink KYC

# 9 Investment Guidelines and Ownership Limits

## 9.1. Overview

### 9.1.1. Investing in India

FPIs are permitted to invest in the following instruments

Equity	Fixed Income Market *	Derivative	Hybrid
<ul style="list-style-type: none"> <li>— Listed or to be Listed Equity Shares *</li> <li>— Preference shares</li> <li>— Warrants</li> <li>— Units schemes/ ETF floated by domestic Mutual Funds investing more than 50% in equity</li> <li>— Units of Collective Investment Schemes</li> <li>— Indian Depository Receipts</li> </ul>	<ul style="list-style-type: none"> <li>— Dated Government Securities (G-Secs), State Development Loans (SDLs) and Treasury Bills (T-Bills)*</li> <li>— Listed and Unlisted** Corporate Bonds and Debentures issued by a body corporate</li> <li>— Non-Convertible Debentures (NCDs)/ bonds under default</li> <li>— INR denominated Credit Enhanced Bonds</li> <li>— Security Receipts issued by Asset Reconstruction Companies</li> <li>— Debt Instruments issued by Banks eligible for inclusion in regulatory capital (Tier I and Upper Tier II instruments of banks)</li> <li>— Commercial Paper*</li> <li>— Municipal Bonds</li> <li>— Units schemes/ ETF floated by domestic Mutual Funds investing 50% or less in equity</li> </ul>	<ul style="list-style-type: none"> <li>— Index Futures</li> <li>— Index Options</li> <li>— Stock Futures</li> <li>— Stock Options</li> <li>— Interest Rate Futures</li> <li>— Currency Derivatives</li> </ul>	<ul style="list-style-type: none"> <li>— Units of Real Estate Investment Trusts</li> <li>— Units of Infrastructure Investment Trusts</li> <li>— Units issued by Category III Alternative Investment Funds</li> </ul>

Notes–

- \* Restrictions Apply (Explained in detail in later sections) Dated G-Secs with less than 1-year maturity and T-Bills are restricted to less than 20% of the total portfolio in G-Secs
- \*\* FPI investments in Unlisted Corporate Bonds/ Debentures is subject to end use restriction

## 9.1.2. Guidelines

- Transfer of shares can only be made in dematerialised form
- FPI investments are governed by various limits like individual investment limit as well as sectoral caps as defined in the FDI policy and Foreign Exchange Management Act, 1999 (FEMA)
- FPIs can purchase through Primary issuance and secondary market through a registered broker
- FPIs to maintain sufficient funds in their INR account to meet the settlement obligations prior to the settlement date
- Free of payment asset transfer is permitted only if FPI is registered as Multi Investment Manager structure and have the same PAN
- The limits of the FPI belonging to the same investor group will be clubbed and limits as applicable to a single FPI will apply

## 9.1.3. Clubbing of Investments limits of FPIs belonging to same Investor Group

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

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

### I. Exceptions to clubbing on basis of common control

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

### II. Foreign government and their related entities

- If two or more FPIs, including foreign Governments/ their related entities, are having direct or indirect common ownership of more than 50% or common control, then all such FPIs will be treated as forming part of an investor group and the investment limits of all such entities shall be clubbed at the investment limit as applicable to a single FPI
- Investment by foreign Government agencies shall be clubbed with the investment by the respective foreign Government/ its related entities for the purpose of calculation of 10% limit for FPI investments in a single company, if they form part of an investor group
- Investment by foreign Government/ its related entities from provinces/ states of countries with federal structure shall not be clubbed, if the said foreign entities have different ownership and control
- Where Government of India has agreements or treaties with other sovereign Governments specifically recognising certain entities to be distinct and separate, or Central Government by an order recognises them as separate entities, investments of such entities will not be clubbed
- Treatment of investment by World Bank group entities like IBRP, IDA, MIGA and IFC-

Government of India, vide letter dated January 06, 2016 (Letter No. 10/06/2010/ECB) has exempted clubbing of investment limits for these entities for the purpose of application of 10% limit for FPI investment in single company

## 9.2. Investment Guidelines – Equity

### 9.2.1. Overview

- Total FPI portfolio investment in equity shares of a company is capped at 24% of the total paid up capital, which can be raised up to sectoral limit
- Individual FPI or FPIs belonging to same investor group can invest below 10% of a paid-up capital of a listed or to be listed investee company on a fully diluted basis
  - All secondary market transactions in equity have to be executed through a registered stock broker on the floor of the exchange
- 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 permitted to enter into Securities lending and borrowing (SLB) transactions in equities and will be subject to limits. (Refer sub-section on SLB)
- 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 borrowing and lending 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

### 9.2.2. Primary Market investments in Equity

- **Initial Public Offers (IPO):** Initial Public Offer (IPO) is the first time offer of equity shares by the issuer company to the public. The issuer company is required to meet the listing criteria as specified by SEBI and Stock Exchanges. Key features of the IPO are:
  - Follow either a book building process or fixed price process or a combination of both.
  - Open to all investors including FPIs and have a specific portion allocated to Qualified Institutional Buyers (QIBs)
  - 100% margin payment to be blocked through the ASBA\* route
  - FPIs are permitted to participate in the IPO through their custodian/ broker and can apply as:
    - Category (Cat) I and Cat II FPIs (except Individuals, Corporates and Family Offices) - under the Qualified Institutional Buyer (QIB)
    - Cat II FPI (Individuals, Corporates and Family Offices) - under the non-institutional category
  - Bids once submitted are not allowed to be withdrawn after the issue closing date
  - Revision of bids before bid closing date is permitted
  - In case of upward revision of bids, the incremental margin amount has to be paid and blocked under ASBA at the time of revised bid submission
  - In case of a downward revision, the excess margins already paid are refunded only post allotment of shares
  - Time period for allotment and listing of public issues is 6 working days from the issue closure date
- **Follow on Public Offer (FPO):** Follow on Public Offer (FPO) is additional or follow on offer of equity shares, to the public, by an existing listed company
  - Open to all investors, including FPIs who can subscribe to this through their custodian/ broker
  - Withdrawal or downward revision of bids once submitted is not permitted
  - In case of upward revision of bids, the incremental margin amount has to be paid along with the revision

- **Preferential Issue/ Private Placement:** Shares issued to specific category of institutional investors like mutual funds, insurance companies, FPIs, etc. Such issuances can be listed or unlisted shares
- **Qualified Institutions Placement (QIP):** An additional mode for listed companies to raise funds from Qualified Institutional Buyers (QIBs). All FPIs except Individuals, Corporates and Family Offices can participate through this route
- **Rights Issue:** SEBI has mandated that all Rights Entitlements should be credited to the demat account of the holder, including those holding shares in physical form. REs to be credited to the demat account before issue opening date. These REs can be traded on stock Exchanges
- **Offer for Sale (OFS):** Separate window provided by Exchange for facilitating sale of shares held by the promoters/promoter group entities of companies in a transparent manner.
  - Participation in OFS is open for all investors including FPIs
  - Orders in the OFS window can be placed by institutional investors including FPIs through their brokers either:
    - By paying 100% upfront margin - Modification or cancellation of order permitted anytime during the trading hours of the offer period

OR

- Without payment of upfront margin – Order cannot be cancelled or modified by the investors or brokers. Upward revision in the price or quantity permitted.

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

### 9.2.2.1. Restriction on Multiple bids

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

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

- Bids by Anchor Investors under the Anchor Investor Portion and the QIB Category

### 9.2.3. Secondary Market investments in Equity

For the investors, the secondary market provides the efficient platform for trading in securities issued in primary market. Secondary market deals can be either On Exchange platform or Over

the Counter (OTC).

All secondary market deals in equity by FPIs need to be done on the recognised Stock Exchange platform and settled through the Clearing Corporations.

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

### 9.2.4.1. Foreign Ownership Limit

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

- Individual Limit in Equity Shares of a Listed Company- Each FPI (or FPIs belonging to the same investor group) holding should always be below 10% of the post issue paid up capital on a fully diluted basis. The 10% limits is applicable across investments in the same listed company through
  - ADR/ GDR (post conversion to underlying equity shares),
  - FVCI
  - Participatory Notes/ Offshore Derivative Instrument
- Aggregate investment Limit by FPIs in Equity Shares of a Listed Company - The maximum permissible investment in the shares of a listed company, jointly by all FPIs together, is the sectoral cap, unless a lower cap was set by the company before March 31, 2020 of the paid-up capital of that company or up to the sectoral cap, subject to shareholder approval.
  - Such company may raise the limit to 49% or 74% or the sectoral cap or statutory ceiling with approval from its Board of Directors and General Body
  - Where the company has raised the limit to higher threshold, the company cannot lower the limit
- Special requirements for certain sectors:
  - Private Sector Banks – Any acquisition beyond 5% by any investor, foreign or domestic, would require prior approval from Reserve Bank of India (RBI)
  - Credit Information Companies - Any acquisition in excess of 1% by FPIs needs to be reported to RBI
  - Stock Exchange and Clearing Corporations - FPIs can acquire/hold upto 5% of the paid-up equity share capital in a recognised stock exchange or clearing corporation
  - In sectors where FDI is prohibited, the aggregate limit would be 24
- Any acquisition exceeding 2% of the paid up equity share capital of a recognised stock exchange or clearing corporation needs to be reported to SEBI within 15 days of such acquisition for approval. This reporting has to be done in the specified format through the respective Stock Exchange or Clearing Corporation.

### 9.2.4.2. Limit Monitoring Mechanism of listed companies

- In case of FPIs applying through primary market, the Registrar and Transfer Agent (RTA) would have to validate, the details related to the investor group, with Depositories, before determining basis of allotment, to ensure that a single FPI or as part of investor group, does not breach the investment limit of 10%
- The limit monitoring for secondary market investments are monitored by the Depositories. They monitor the foreign ownership limits at aggregate level as well as sectoral cap for FPIs. The depositories also monitor the individual investment limit related to the FPIs belonging to the same Investor group
  - I. **Tracking of limit for FPIs belonging to the same investor group:** This is based on the reporting by the custodians to depositories
    - Details of the investor group at the time of registration or at any time of receipt of such details from the FPIs/ due diligence by custodians
    - Transactions undertaken by FPIs, on a T+1 (T being the trade date)

- The depositories then track the investment limits of FPIs belonging to same investor group to ensure it remains below 10% of the post issue paid up capital of the listed company on a fully diluted basis, at any time.

In cases of primary market allotment, the RTA need to validate the details with Depository prior to allotment of shares, to ensure compliance with the limit.

## II. Tracking of aggregate Investment limit and sectoral Cap by FPIs

- The monitoring of foreign investment limits is based on paid-up equity capital of the company, on fully diluted basis
- Custodians to report confirmed trades of their FPI clients to the depositories on a T+1 basis
- A red flag is activated whenever the foreign investment is within 3% or less than 3% of the aggregate FPI limits or sectoral cap
  - The depositories and exchanges would display the available investment headroom, in terms of available shares, for all companies for which the red flag has been activated
  - The data on the available investment headroom shall be updated on end-of-day basis as long as the red flag is activated
  - This data is published on the website of the Depositories as well as Stock exchange

## III. Breach of limits:

### i. Aggregate Limit

- Exchanges would issue public notification on their website and halt further purchases by:
  - FPIs, if the aggregate FPI limit is breached
  - All foreign investors including FPIs, if the sectoral cap is breached
- The foreign investors are required to divest their excess holding within 5 trading days from the date of settlement of the trades, by selling shares only to domestic investors
- Method of Disinvestment – A proportionate disinvestment methodology would be followed for disinvestment of the excess shares so as to bring the foreign investment in a listed company within permissible limits (refer an indicative calculation below)
- Depending on the limit being breached, the disinvestment of the breached quantity shall be uniformly spread across all foreign investors including FPIs, who are net buyers in that particular security on the date of the breach
- The investors thus identified are informed of the excess quantity that they are required to disinvest. In the case of FPIs which have been identified for disinvestment of excess holding, the depositories would issue the necessary instructions to the custodians of these FPIs for disinvestment of the excess holding
- As the breach of investment limits would be detected at the end of T+1 day (based on custodial confirmation data) and the announcement pertaining to the breach would be made at the end of T+1 day (T being the Trade Date), the foreign investors who have purchased the shares during the trading hours on T+1 day would also be given a time period of 5 trading days from the date of settlement of such trades, to disinvest the holding accrued from the aforesaid purchase of shares
- If foreign shareholding in a company comes within permissible limit during the time period for disinvestment, on account of sale by other FPIs, the original FPIs (which have been advised to disinvest) would still have to disinvest within the disinvestment time period. This would be irrespective of fresh availability of an investment headroom during the disinvestment time period
- There would be no annulment of the trades which have been executed on the trading platform of the stock exchanges and which are in breach of the sectoral or aggregate FPI limit
- Failure to disinvest within the disinvestment period would attract necessary action from SEBI.

## Calculation of shares to be divested in case of breach

Particular	No. of shares
Available headroom limit	600 shares
Purchases by Foreign Investors* including FPIs executed on day of breach	1000
Excess shares, to be divested in 5 working days	400 (40% of the purchases executed on day of breach)

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

Time of purchase	Investor	Shares Purchased	Cumulative purchase	To be divested	Shares retained
1000 hrs	A	100	100	40	60
1100 hrs	B	150	250	60	90
1200 hrs	C	250	500	100	150
1300 hrs	D	180	680	72	108
1400 hrs	E	80	760	32	48
1430 hrs	F	240	1000	96	144
Total		1000		400	600

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

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

- Divesting their holdings within 5 trading days from the date of settlement of the trades causing the breach.
- In case the FPI chooses not to divest, then the entire investment in the company by such FPI and its investor group shall be considered as investment under FDI and the FPI and its investor group shall not make further portfolio investment in the company

The FPI, through its custodian, shall bring the same to the notice of the depositories as well as the concerned company for effecting necessary changes in their records, within 7 trading days from the date of settlement of the trades causing the breach. The breach of the said aggregate or sectoral limit on account of such acquisition for the period between the acquisition and sale or conversion to FDI within the prescribed time, shall not be reckoned as a contravention under these rules.

## 9.2.5. Other Investment guidelines and Regulatory reporting requirements

### I. Substantial acquisition of shares 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 SAST Regulations

## II. Open offer under SEBI (SAST) Regulations

- 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

## III. 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 2 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.

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

### Key highlights of the regulations

- 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 to public and which may impact the price of the security
- The definition of Insider includes 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. Immediate relatives would be presumed to be connected persons, with a right to rebut the presumption
- Considering every investor's interest in securities market, advance disclosure of unpublished price sensitive information at least 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
- Mandatory disclosure of UPSI in public domain before trading, so as to rule out asymmetry of information in the market, as prevalent in other jurisdictions
- Principle based Code of Fair Disclosure and Code of Conduct has been prescribed

- In given cases, certain circumstances which can be demonstrated by an insider to prove his innocence have been provided.

### 9.3. Securities Lending and Borrowing (SLB)

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

FPIs are not allowed to short sell in Indian market except as allowed under Securities Lending and Borrowing (SLB) or any other framework specified by the Board. Further, sales against open purchases are not permitted for FPIs and FPIs can sell such securities only after their settlement.

SLB mechanism in India is fully exchange-driven, and OTC model is not permitted. All SLB transactions are routed through the clearing corporation, i.e. NCL and ICCL, of the stock exchanges. NCL and the ICCL (the clearing corporations) are the Approved Intermediaries (AI) for SLB transactions.

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

Some salient features of SLB are:

- Automated trading on AI provided online platforms
- Clearing Corporations act as counterparty to every trade, and settlement is guaranteed
- Contracts ranging from 1 day to 12 months
- Available on all derivative stocks plus few additional scrips
- Recall and Repay facility available
- Corporate actions are adjusted to ensure lender receives all benefits. In the event of corporate actions other than dividends, stock splits and AGM/ EGM, foreclosure is executed by clearing house. In case of AGM/ EGM, SLB product provides options to execute contracts with foreclosure or without foreclosure
- Short selling against borrow trades are permitted in securities on which derivative products are offered. short selling is not permitted in equity shares which are in RBI's foreign ownership ban list and/ or caution list
- FPIs may purchase shares of companies which are on the foreign ownership ban list/ caution list, without prior RBI approval, for the purpose of meeting SLB repayment obligations, provided the purchase is to the extent of meeting SLB repayment obligations and the company whose shares are being purchased, was not under foreign ownership restrictions (caution or ban) at the time of executing the SLB trade
- All transactions would be grossed for institutional investors at the custodians' level and the institutions would be required to 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, OTC SLB transactions are not permitted
- Borrowing of equity shares by FPIs shall only be for the purpose of delivery into short sale. Institutional investors are required to disclose their intention to short sell upfront before placement of short sale order. Brokers will be required to collect and collate scrip-wise details on short sales and upload it to the stock exchanges before the commencement of trading on the following day.
- SLB contracts have been permitted to have tenure up to a maximum period of 12 months. The approved intermediary, viz. Clearing Corporation/ Clearing House shall have the flexibility to decide the tenure of the contract, subject to the maximum period of 12 months

— The margin/ collateral shall be maintained by FPIs only in the form of cash. No interest shall be paid to the FPI on such margin/ collateral

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

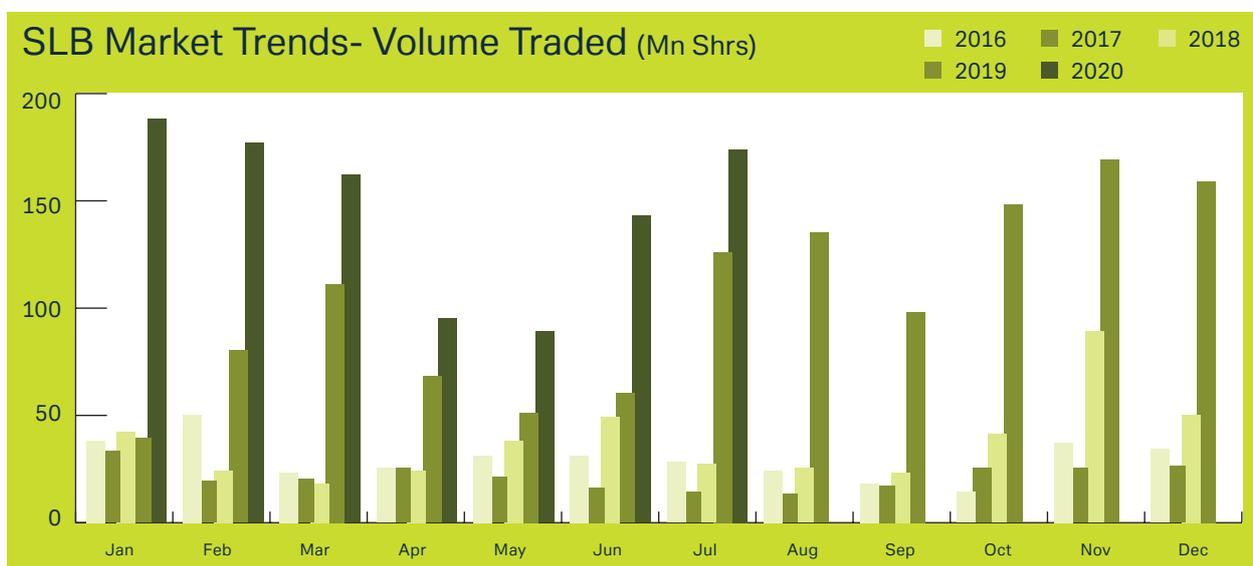
- The total duration of the contract after taking into account rollovers shall not exceed 12 months from the date of the original contract
- The last trading day of rollover contracts shall be the 4th working day prior to expiry of respective near month series, excluding settlement holidays
- In case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

### Position Limit

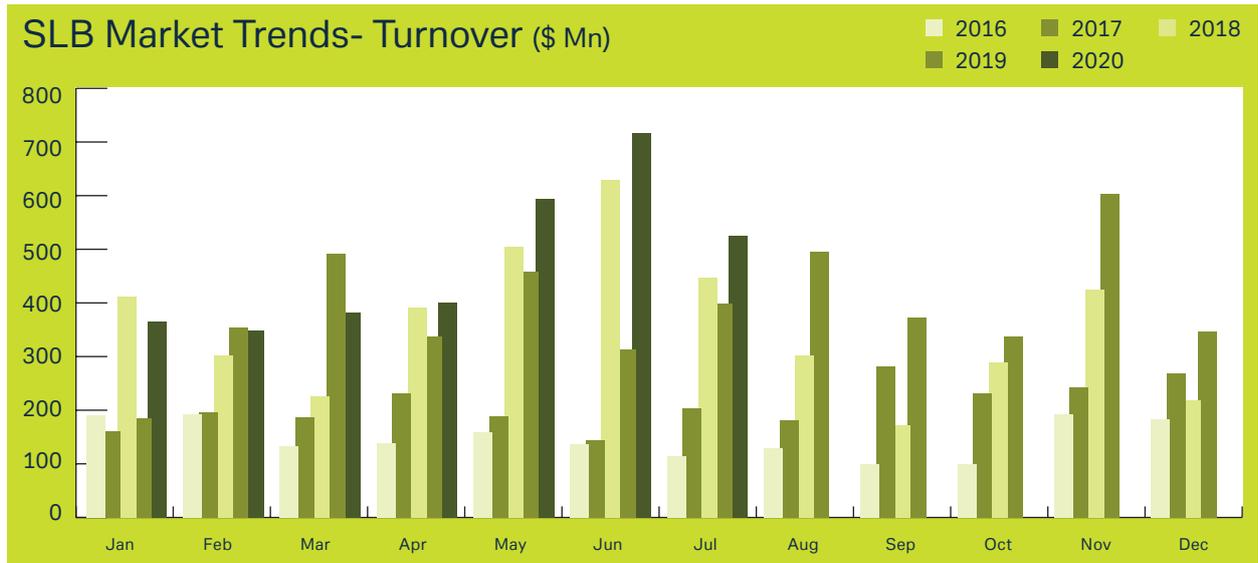
The following position limits will be applicable to SLB transactions

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

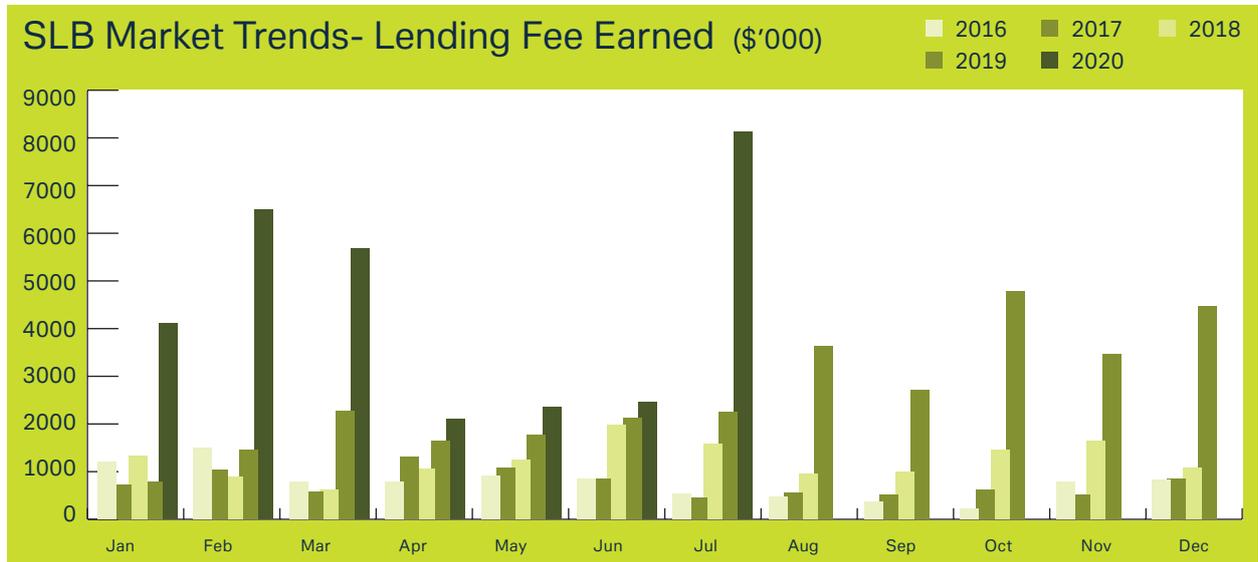
Below are some key statistics with respect to trading volumes, yields, lending fees earned by investors etc. for the SLB market in India.



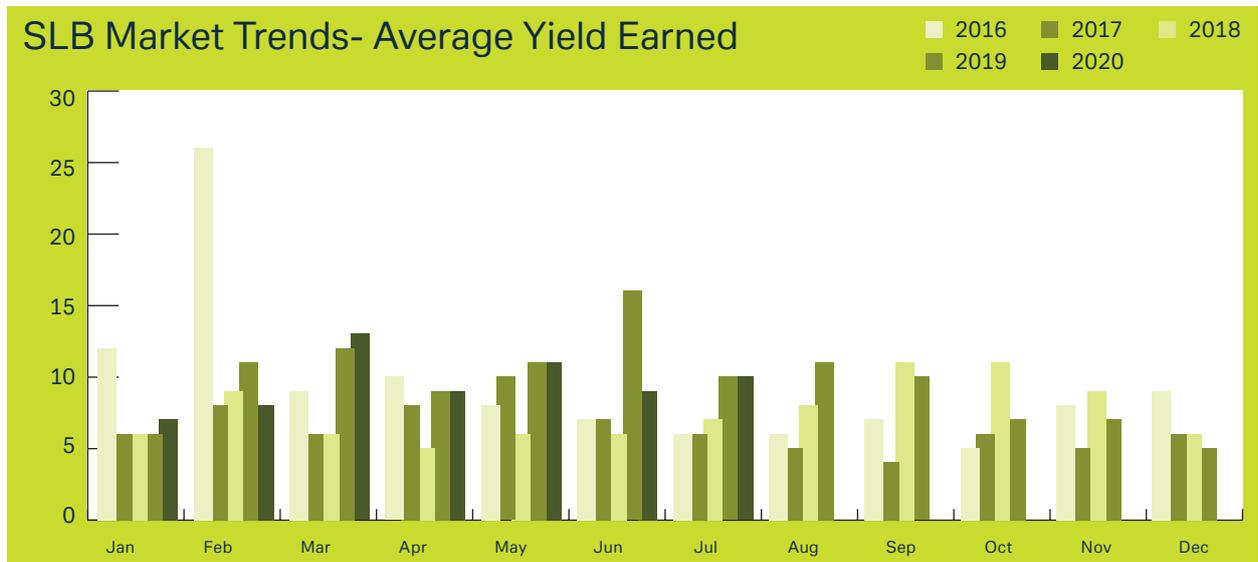
Source - NSE



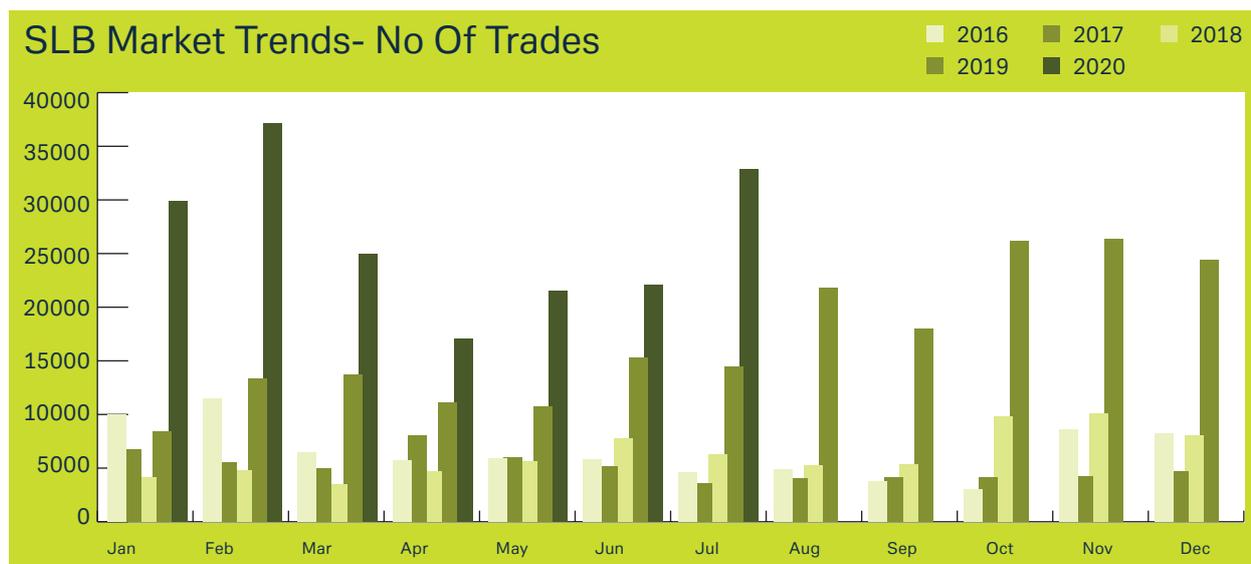
Source - NSE



Source - NSE



Source - NSE



Source - NSE

## 9.4. Investment Guidelines - Fixed Income – General Investment Route

Foreign Portfolio Investors (FPIs) are permitted to invest in Fixed Income (G-Secs, SDLs, Corporate Debt) under FEMA and FPI regulations. The investment in Fixed Income is governed by specified investments limits and conditions as notified from time to time by RBI and Securities and Exchange Board of India (SEBI).

Broad overview of the overall limits under General Investment route are as provided below:

- G-Secs: The limit for FPI investment in G-Secs is 6% of outstanding securities
- SDLs: Limits in absolute terms are specified by RBI
- Corporate Debt: This limit has now been fixed at 15% of outstanding stock of corporate bonds.
- Interest Rate Futures: For undertaking long positions in IRFs, the limit is set at INR 50 billion

The overall limits for investment by FPIs in Government securities and corporate bond is as given below:

Security Category	Investor Category	Limits October 2020 – March 2021 (INR Billion)
Central Government Securities	All Categories	2,345.31
	Long Term FPIs	1,035.31
State Development Loans	All Categories	676.3
	Long Term FPIs	71
Corporate Debt	All Categories	5414.88
Interest Rate Futures	All Categories	50

Limit Monitoring Mechanism of Fixed Income

- CCIL monitors utilisation of limits for G-sec and SDL and can be accessed at <https://www.ccilindia.com/FPIHome.aspx>
- The depositories, NSDL and CDSL monitor the utilisation of limits for Corporate Bond limits and can be accessed at <https://www.fpi.nsdl.co.in/web/Reports/ReportDetail.aspx?RepID=1>  
<https://www.cdslindia.com/publications/FIIs.aspx>

## I. Sub-limits

### i. Concentration limit

- Investment by any FPI (including investments by related FPIs), in each investment category (G-Sec, SDL, Corporate Bond) shall be subject to the following concentration limits:
  - 15% of prevailing investment limit for that category for Long Term FPIs
  - 10% of prevailing investment limit for that category for Other FPIs
- In case FPI has investments in excess of the concentration limit as on 2nd May 2018 (date on which the concentration limits came into existence), it will be allowed following relaxations, subject to availability of overall category limits, as a one-time measure:
  - FPI, with investments exceeding the concentration limits, can undertake additional investments such that its portfolio size at any point in time does not exceed the current investment plus 2.5% of investment limit for the category on the effective date
  - FPI, with investments within the concentration limit, but in excess of 7.5% (or 12.5% in case of Long Term FPIs), can undertake additional investments such that its portfolio size at any point in time does not exceed the current investment plus 2.5% of investment limit for the category on the effective date
  - All other FPIs will be allowed to invest up to the applicable concentration limit.

### ii. Investment Guidelines for Government Debt and SDLs

FPIs are permitted to invest in G-Secs and SDLs under the specified conditions and the applicable limits as detailed below:

- Investment by any FPI (including investments by related FPIs) are subject to the Concentration limits as prescribed by RBI and SEBI from time to time
- FPIs are permitted to invest in short term (i.e. less than 1-year residual maturity) Government Debt instruments under below conditions:
  - FPIs holding in G-Secs and SDLs, in short term maturity investments (residual maturity of less than 1 year), should not exceed 30% of the FPI's total investment in that specified category (G-Sec or SDL). FPIs are permitted to invest in T-Bills within this 30% limit for short term
  - The 30% limit will be reckoned on end of day basis. At the end of any day, all investments with residual maturity of up to one year will be reckoned for the 30% limit
  - If short term investments consist entirely of investments made on or before April 27, 2018, the short-term investments can exceed 20% limit
- The aggregate limit in each central government debt security is 30% of the outstanding stock of that security.
  - The security in which aggregate FPI investment has reached 30% of amount outstanding would be placed in negative list and no additional purchases of the security are permitted until the total foreign ownership in that issue falls below 30%
  - Securities which are very close to the 30% limit, it will be possible that securities which were not in the negative list at the beginning of the day may enter the negative list during the day due to the purchase transaction reported by other FPIs on NDS-OM. It is advisable for clients to send the deal instructions as soon as the deal is executed
  - These limits are reported on the CCIL website, under the sub-heading "Security wise Holding" and "Negative Investment List" under the tab – "FPI Debt (G-Sec) utilization Status"  
<https://www.ccilindia.com/FPIHome.aspx>
- Coupon reinvestment by FPIs in G-secs is reckoned within the G-sec limits. At the time of periodic re-setting of limits, coupon investments would be added to the amount of utilisation
- FPIs are not permitted to invest in partly paid instruments
- The monitoring of limit utilisation and security-wise limits in G-secs and SDL will be done by CCIL on Real Time basis, on the Negotiated Dealing System - Order Matching (NDS-OM)
- Investments by FPIs in Municipal Bonds, would be reckoned within SDL Limit

## II. Limit Utilisation Conditions

### i. Re-investment of Limits in Government Securities

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

### ii. Sale/ Maturity of the Existing investment:

Any proceeds arising out of sale/ redemption of Government Securities acquired from coupon receipts, shall be eligible for a re-investment period of 2 working days

### iii. Coupon Re-investment:

- FPIs have been permitted to reinvest the coupons earned on their existing investments in Government Securities, even when the limits are fully utilised
- These investments by FPIs in Government Securities has been kept outside the applicable limits till the next reset of limits, when it shall be reckoned with in the utilised limit
- FPIs will have an investment period of 2 working days from the date of receipt of the coupon.

### iv. Utilisation of G-sec limit by FPIs upon their re-categorisation as long term FPI or vice-versa

- The existing G-sec holdings (i.e. prior to re-categorisation of the FPI) will not be re-classified.
- Pursuant to the re-categorisation of the FPI, all future G-sec investments will be reckoned against the appropriate debt limits, as applicable
- The FPI shall have re-investment period as applicable at the time of the initial investment.

## 9.4.1. Government Securities

### 9.4.1.1. Primary Issuances

- G-Secs are issued by RBI through Primary Market Auction and can be subscribed by FPIs, apart from various domestic investors.
- Investors intending to participate in primary market auctions need to provide their instructions to the custodian or the primary dealer, to be submitted in the bidding platform (E-Kuber system of RBI) latest by noon on auction date
- The auction results are announced the same day for settlement on T+1 basis. Details relating to the results timings can be accessed by clicking at the below link.

<https://rbidocs.rbi.org.in/rdocs/Notification/PDFs/NT514A8AD94C80C24369B18B25D0183C02AC.PDF>

### 9.4.1.2. Secondary Market

- Secondary market deals can be done either Over the Counter (OTC) or through NDS-OM web base module. G-Sec deals done in the OTC market need to be mandatorily reported on the NDS-OM platform of RBI and settled through the Clearing Corporation (CCIL)

## 9.4.2. Corporate Bonds

Corporate Debt (INR denominated bonds issued onshore by Indian Corporates):

FPIs are permitted to invest in Corporate Bonds under specified conditions and the applicable limits. The conditions and the limits are detailed below:

- The overall limit for FPI investment in corporate bonds, is at 15% of outstanding stock of corporate bonds
- FPIs do not require stock brokers for transactions in Corporate bonds
- All investments in INR denominated bonds/ debentures issued onshore by Indian Corporates, Security Receipts, Credit Enhanced Bonds, Debt oriented Mutual Funds will be reckoned under the Corporate Debt Limit

- FPIs are permitted to invest in Corporate Bonds freely until the overall limit utilisation reaches 95%. Post this threshold, auction would be conducted for the Corporate Bond limit
- Investment by any FPI (including investments by related FPIs) are subject to the concentration limits (mentioned above in 9.4 (I) under (i) concentration limits)
- FPIs are governed by exposure norms like subscription/ purchase of a single issuance
- FPI investment limits (overall basis) and at Investor group levels are tracked by the Depositories (NSDL/ CDSL) based on the trades reported by the custodian at an end of day basis
- FPIs are not permitted to invest in partly paid instruments
- FPI investment limit status are published on the websites of NSDL and CDSL.  
<https://www.fpi.nsdl.co.in/web/Reports/ReportDetail.aspx?RepID=1>  
<https://www.cdslindia.com/publications/FIIs.aspx>

#### i. Residual Maturity

- FPIs are permitted to invest in Corporate Bonds with a residual maturity of above 1 year.
- FPI holding of short-term investments (i.e. securities with less 1-year residual maturity) in corporate bonds is governed by:
  - FPIs should ensure that holding in Corporate Bonds, in short term maturity investments (residual maturity of less than 1 year), does not exceed 30% of the FPIs total investment in Corporate Debt
  - The 30% limit will be reckoned on end of day basis. At the end of any day, all investments with residual maturity of up to 1 year will be reckoned for the 30% limit

Following securities are exempted from requirement of residual maturity:

- Security Receipts (SRs)
- Debt instruments issued by Asset Reconstruction Companies
- Debt instruments issued by an entity under the Corporate Insolvency Resolution Process as per the resolution plan approved by the National Company Law Tribunal under the Insolvency and Bankruptcy Code, 2016

The above securities are termed as 'Exempted Securities'

#### ii. Exposure Norms

- Investment by any FPI, including investments by related FPIs, shall not exceed 50% of any single issue of a corporate bond.
  - In case an FPI, including related FPIs, has invested in more than 50% of any single issue, it shall not make further investments in that issue until this stipulation is met
  - Single issue is considered at an ISIN level for the corporate bond

#### iii. Corporate Bonds under default

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

- FPIs can acquire Non-Convertible Debentures (NCDs)/ bonds which are under default, either fully or partly, in the repayment of principal on maturity or principal instalment, in the case of an amortising bond (FPIs shall be guided by RBI's definition of an amortising bond in this regard)
- The revised maturity period of such NCDs/ bonds, restructured based on negotiations with the issuing Indian company, should be 1 year or more
- The FPI which propose to acquire such NCDs/ bonds should disclose to the Debenture Trustees, the terms of their offer to the existing debenture holders/ beneficial owners from whom they are acquiring
- Such investment will be within the overall limit prescribed for corporate debt from time to time

#### iv. Unlisted Non-convertible debentures/ bonds

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

- Guidelines issued by Ministry of Corporate Affairs, Government of India
- Minimum residual maturity of above 1 year
- Should be held in dematerialised form
- End use-restriction on investment in real estate business, capital market and purchase of land. The custodian banks of FPIs shall ensure compliance with this condition

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

FPIs are eligible to invest in corporate debt issues which are “to be listed” without any end-use restriction as applicable to unlisted debt securities. However, if the listing does not happen within 30 days or the issue is not meeting end use restriction, FPI shall immediately dispose such investment to either domestic investor or issuer

#### v. Securitised debt instruments

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

#### vi. 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.

#### vii. Security Receipts

FPIs and long term FPIs (Sovereign Wealth Funds, Multilateral Agencies, Endowment Funds, Insurance Funds, Pension Funds and Foreign Central Banks) are permitted to invest in Security receipts issued by Asset Reconstruction Companies.

Investment by FPIs in securitised debt instruments shall not be subject to the minimum 1-year residual maturity requirement

#### viii. Auction Mechanism for Corporate Debt Limit

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

- The auction mechanism would trigger when the utilised debt limit reaches 95% of the total available limit
- The market shall continue to be under auction mechanism till the utilised limit remains above 92%
- The auction mechanism will be discontinued and the limits will be once again available for investment on tap when the debt limit utilisation falls below 92%
- The reinvestment facility upon sale/ redemption will be terminated and cannot be availed for the same limits when the utilisation crosses 95% again

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

- The depositories, National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) will direct the custodians to halt all FPI purchases in corporate debt securities
- The depositories will inform the exchanges, National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) regarding the unutilised debt limits for conduct of auction. Upon receipt of information from the depositories, the exchange (starting with BSE) will

conduct an auction for the allocation of unutilised debt limits on the 2nd trading day from the date of receipt of intimation from the depositories. Thereafter, the auction will be conducted alternately on NSE and BSE

- The auction will be held only if the free limit is greater than or equal to INR 1 billion. If the free limit remains less than INR 1 billion for 15 consecutive trading days, then an auction shall be conducted on the 16th trading day to allocate the free limit

#### Summarised Auction Mechanism for obtaining Limits in Corporate Debt

Topic	Corporate Debt
Duration of bidding	The bidding shall be conducted for 2 hours from 3:30 p.m. to 5:30 p.m.
Access to Platform	Trading Members or custodians
Minimum bid	INR 10 million
Maximum bid	One-tenth of free limit being auctioned
Tick Size	INR 10 million
Allocation Methodology	Price time priority
Pricing of bid	Minimum flat fee of INR 1000 or bid price whichever is higher
Auction Platform	Alternating between BSE and NSE
Maximum limit	A single FPI/ FPI Group cannot bid for more than 10% of the limits being auctioned
Auction Trigger	Utilised Limit crosses 95%
Discontinue Auction	Utilised Limit falls below 92%
Minimum free limit availability for auction	Free limit is greater than or equal to INR 1 billion. However, if the free limit remains below INR 1 billion for 15 consecutive trading days, auction will be conducted on 16th trading day
Utilisation Period	Time period for investing in debt securities using the allotted limits will be 10 trading days. Limits not utilised within 10 trading days would come back to the pool of free limits
Re-investment period in case of Sale/ Redemption	Upon sale or redemption of debt, the FPI will have a re-investment period of 2 trading days. If reinvestment is not made within 2 trading days, then the limits will be clubbed in the pool of free limits
Subsequent Auctions	Subsequent auctions would be held 12 trading days from the date of the last auction, subject to the condition that the free limit is greater than or equal to INR 1 billion

### 9.4.3. Primary Issuances

#### 9.4.3.1. G-Secs and SDLs

- G-Secs are issued by RBI through Primary Market Auction and can be subscribed by FPIs, apart from various domestic investors.
- Investors intending to participate in primary market auctions need to provide their instructions to the custodian or the primary dealer, to be submitted in the bidding platform (E-Kuber system of RBI) latest by noon on auction date.
- The auction results are announced the same day for settlement on T+1 basis. Details relating to the results timings can be accessed by clicking at the below link.

<https://rbidocs.rbi.org.in/rdocs/Notification/PDFs/NT514A8AD94C80C24369B18B25D0183C02AC.PDF>

### 9.4.3.2. Corporate bonds – Private Placement through electronic book mechanism:

SEBI has introduced Electronic Bidding Platform (EBP) for issuances of corporate bonds through the private placement route.

#### I. Securities Eligible for issuance on EBP

- **Mandatory:** All private placement of Debt Securities and Non-Convertible Redeemable Preference Shares (NCRPS) issued by a body corporate, except instruments issued by the Government, Security Receipts and Securitised debt instruments, shall be required to be made through EBP platform if it is:
  - A single issue, inclusive of green shoe option, if any, of INR 2 billion or more
  - A shelf issue, consisting of multiple tranches, which cumulatively amounts to INR 2 billion or more, in a financial year
  - A subsequent issue, where aggregate of all previous issues by an issuer in a financial year equals or exceeds INR 2 billion
- **Optional:** An issuer, irrespective of issue size, if desires, may choose to access EBP platform for private placement of:
  - Debt securities issued by municipality or corporate municipality
  - Commercial Paper
  - Certificate of Deposits

#### II. Platform Providers

- Stock Exchanges
- Depositories

#### III. Framework

- Issuer to disclose PPM/IM and term sheet with details of size, bid open and close date/ time, Minimum lot, Manner of bidding, allotment and Settlement, Settlement cycle
- Participants shall be required to enroll with EBP before entering bids, by completing the necessary KYC
- Bidding shall be allowed in the bidding time window specified by the issuer. At the end of the bidding time window, EBP shall, on an anonymous basis, disclose the aggregate volume data, including yield, amount including the amount of oversubscription, total bids received, rating(s), category of investor etc. to avoid any speculations
- EBP shall upload the allotment data on its website to be made available to the public.

## 9.4.4. Secondary Market

### 9.4.4.1. Government Securities

- Secondary market deals can be done either Over the Counter (OTC) or through NDS-OM web base module. G-Sec deals done in the OTC market need to be mandatorily reported on the NDS-OM platform of RBI and settled through the Clearing Corporation (CCIL)

### 9.4.4.2. Corporate Bonds

- All debt deals in bonds/debentures can be either done on Stock Exchange or through OTC. The OTC deals have to be mandatorily reported on the exchange reporting platform and settled through the Clearing Corporation. Corporate Bonds can also be purchased through the Debt Trading platform of the stock exchanges

### 9.4.4.3. Request for Quote platform

- RFQ is an electronic trading mechanism provided by the exchange for execution of trades in eligible Debt Segment.
- The mechanism provides a flexibility to initiate a quote using 'Yield', 'Price' or 'Both'.
- Both Bid (Buy)/Offer (Sell) executable quotes can be entered by initiating dealer

- Following are the key features of the mechanism:
  - Bid initiator has the option to either remain anonymous or disclose their identity
  - Initiator can delete the quote any time before a trade is executed
  - Initiator also has the option show quote to market or send them privately to select participants
  - Responding dealer can respond by accepting the deal or negotiate with initiator by providing an alternative quote
  - The seller participant will enter the price and the system will calculate the accrued interest and total consideration, which has to be accepted by the buyer
  - All quotes entered will auto-expire at the end of the trading session for the day

#### I. Eligible Securities

Eligible Securities would include:

- Corporate Bonds
- Securitised Debt
- Municipal Bonds
- G-Secs
- SDL
- T-Bills
- Commercial Paper (CP) (FPIs can invest in CPs only through VRR)
- Certificate of Deposit (CD) (FPIs are not permitted to invest CDs)

#### II. Eligible Participants

The following would be considered eligible to participate:

- Regulated Entities
- Listed Corporates
- Institutional Investors as defined in SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (ICDR Regulations):
  - Qualified Institutional Buyers (QIB)
  - Family Trusts or intermediaries registered with SEBI and having net worth above INR 5 billion as per last audited financial statement
- All India Financial Institutions

#### III. Settlement Cycle

G-Secs, SDLs, and T-Bills will be available only with settlement mode of T+1

#### IV. Working Hours

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

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

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

#### V. Operational Guidelines

- Quotes will be bilaterally negotiated between participants based on specified RFQ parameters
- Acceptance of Quote by the participant will be considered as mutual agreement for given deal

## 9.5. Investment Guidelines – Fixed Income - Voluntary Retention Route (VRR)

RBI introduced a new scheme to encourage FPIs to undertake long term investments in Indian debt market. This provides greater operational flexibility by easing of the restrictions as applicable in the General Investment route:

VRR Investments are classified as

- VRR-Corp means VRR for FPI investment in Corporate Debt Instruments
- VRR-Govt means VRR for FPI investment in Government Securities
- VRR-Combined means VRR for FPI investment in both instruments permitted under VRR-Corp and VRR-Govt

### I. Key features of the VRR:

- Investment through this route is separate and the limits are in addition to the General Investment Limit.
- Separate investment limits will be released by RBI in one or multiple tranches, and would be open for allocation either “on tap” or through “auction bidding” process. The mode of allotment and the minimum retention period will be announced by RBI ahead of the allotment: Limits released for current tranche:
  - Maximum permissible investment cap for VRR has been raised to INR 1500 billion from January 24, 2020, making additional INR 906.3 billion available for allotment
  - The tranche for the full amount is available “on tap”, for the FPI from January 24, 2020 onwards till fully allotted
  - Minimum retention period is 3 years
- The investment limits allocated will be called the Committed Portfolio Size (CPS)
- Each FPI (including related FPIs) will be allotted a maximum of 50% of the amount offered for each tranche, if the total demand is more than 100% of the amount offered. (The CCIL system currently limits to the maximum 50% and the FPIs have to multiple bids if the demand is less than 100%)
- Minimum Retention period of the CPS will be 3 years or as prescribed by RBI from time to time
- The amount invested will be reckoned on Face value basis

### II. Process for allocation of investment amount

- On Tap – FPIs to submit the bids to their custodian for processing the same on the CCIL platform.
  - Details to be provided are Account number, Bid amount and Bid Type, Retention period if different than the minimum period prescribed by RBI
  - In case multiple Auction process being conducted at the same time, then Auction number as communicated should also be included in the instruction
  - Allocation will be on first come first served basis

#### Auction Process

- FPIs shall bid for two variables either as a single bid or multiple bids:
  - The amount it proposes to invest
  - Retention period of such investment (this should not be less than the minimum retention period applicable for the auction)
- Allocation of Investment amount:
  - Criteria for allocation will be the retention period
  - Bids will be accepted in the descending order of the retention period with highest first, until the amounts accepted equals the auction amount
  - In case the amount bid at the lowest accepted retention period (marginal bid), is more than the amount available for allotment then
    - Marginal bids shall be allocated partially such that the total accepted amount equals the auction amount

- In case of more than one marginal bids at this retention period, allocation shall be made to the bid with the largest amount of the bid and then in the descending order of the bid amount till the total accepted amount equals the auction amount
- In case of more than one marginal bids with the same amount then the allocation will be done equally

### III. Eligible Instruments/ Securities

- i. Under VRR-Govt, below securities are available for investments:
  - G-Secs
  - T-Bills
  - SDL
- ii. Under VRR-Corp, below securities are available for investments:
  - Non-convertible debentures/ bonds issued by an Indian company
  - Commercial papers issued by an Indian company
  - Exchange Traded Funds investing only in debt instruments
  - Security Receipts (SRs) issued by Asset Reconstruction Companies
  - Debt Instrument issued by Bank eligible for regulatory capital
  - Rupee denominated bonds/ units issued by Infrastructure Debt Funds
  - Credit enhanced bonds
  - Listed non-convertible/ redeemable preference shares or debentures issued in case of Merger or demerger or amalgamation of Indian companies (Regulation 6 of Foreign Exchange Management (Debt Instruments) Regulations, 2019 (Debt Regulations))
  - Securitised debt instruments including any certificate or instrument issued by a special purpose vehicle (SPV) set up for securitisation of asset/s with banks, Financial Institutions or NBFCs as originators
  - Municipal Bonds
- iii. Repo and Reverse Repo transactions
- iv. Under VRR-Combined all the instruments/ securities mentioned above are permitted.

### IV. Investment Conditions:

- FPIs need to invest 75% of the CPS within 3 months, from the date of allotment of limits.
- Commencement of the retention period will commence from the date of allotment of the investment limit (CPS)
- FPIs shall remain invested in relevant debt investments to the extent of the allocation, at all times during the retention period, subject to following relaxation:
  - The minimum investment during the retention period shall be 75% of the CPS
  - The required investment amount of 75% of CPS will be adhered to on an end of day basis
  - The INR in the cash account of the FPI used for VRR, is included for calculating the retention period of 75%
  - FPIs may, at their discretion, transfer their investments made under the General Investment Limit, if any, to the VRR scheme
- Investment under VRR are not subject to any Residual maturity, concentration limits
- Single/ group investor-wise limits applicable for investments in corporate bonds under General investment limit will not apply under VRR. However if an FPI has invested 50% in an ISIN under the General investment route, it will be permitted to invest in the same ISIN under VRR, only with specific permission from RBI on a case to case basis
- Income from investments (Interest + Gains) through VRR, can be re-invested, and this can be in excess of the CPS. However, the monitoring of investments will always be at the CPS and re-investments from Income can be considered for the adherence of the 75% end of day limit
- End use restriction will apply for investments in unlisted Debt instruments
- 30% investment in a single ISIN of the G-Sec, SDL and T-Bills as applicable in General investment will also apply to investments in VRR
- Repo and Reverse Repo transactions – The amount borrowed or lent is restricted to 10% of the CPS under the VRR

- Hedge - FPIs investing in VRR are permitted to manage/ or hedge their Currency and Interest rate risk by participating in OTC or exchange traded – Currency and Interest rate derivative instruments

#### V. Other operational aspects

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

## 9.6. Investment Guidelines – Fixed Income – Fully Accessible Route

The Finance Minister in the Budget Speech for the Financial Year 2020-21, on February 01, 2020 had announced that certain specified categories of G-Sec would be opened fully for non-resident investors, apart from being available to domestic investors as well.

In order to give effect to the announcement, the RBI notified an additional route, 'Fully Accessible Route (FAR) which would be available for all eligible non-residents, to invest in specified G-Sec to be effective from April 01, 2020. Such securities shall continue to be eligible under FAR till maturity.

All new issuances of Government securities of 5-year, 10-year and 30-year tenors from the financial year 2020-21 will be eligible for investment under the FAR as 'specified securities'. The Reserve Bank may add new tenors or change the tenors of new securities to be designated as 'specified securities'

### 9.6.1. Key Terms

#### 1. Non-Resident

Any "person resident outside India" as defined in section 2(w) of the FEMA. Section 2 (w) states that any person who is not resident in India.

Section 2(v) of FEMA defines a 'person resident in India' as below and any person other than these would be person resident outside India:

- A person residing in India for more than 182 days during the course of the preceding financial year but does not include:
  - A person who has gone out of India or who stays outside India in any of the following cases:
    - Employment outside India
    - Carrying on outside India a business or vocation
    - For any other purpose in circumstances which indicate an intention to stay outside India, for indefinite period
- A person who staying in India for any purpose other than following:
  - Employment in India
  - Carrying on in India a business or vocation
  - For any other purpose where the circumstances indicate an intention to stay in India for indefinite period
- Any person or body corporate incorporated in India

- Office, branch or agency in India owned or controlled by a person resident outside India
- Office, branch or agency outside India owned or controlled by a person resident in India

This would include FPIs, NRI, OCIs and other entities permitted to invest in G-Secs under Debt Regulations

## 2. Specified Securities

G-Sec notified by RBI for investment under the FAR. To this end, all new issuances of G-Sec of below tenors from the financial year 2020-21 will be eligible for investment under the FAR

- 5-year tenor
- 10-year tenor
- 30-year tenor

RBI may add new tenors or change the tenors of new securities to be designated as 'specified securities'

'Specified securities' once designated, will remain eligible for investment under the FAR until maturity.

The list of 'Specified Securities' mentioned below would be available for investment under FAR.

S No.	ISIN	Security
1	IN0020190396	6.18% GS 2024
2	IN0020180488	7.32% GS 2024
3	IN0020190362	6.45% GS 2029
4	IN0020180454	7.26% GS 2029
5	IN0020190032	7.72% GS 2049

## 9.6.2. Investment Limits

There shall be no quantitative limit on investment by eligible investors in the specified securities

All investments by eligible investors in the specified securities will be under FAR from the April 01, 2020

Following limits as applicable under GIL-MTF would NOT apply to investments under FAR

- 30% limit in short term investments (i.e. less than 1-year residual maturity)
- Security-wise limit of 30% of outstanding stock of that security
- Concentration Limit

## 9.6.3. Process for investment

- The following investors are permitted to invest under FAR using extant arrangements:
  - FPIs
  - NRIs
  - OCIs
  - Other entities permitted to invest in G-Secs under the Debt Regulations
- Eligible investors other than those referred above can invest through International Central Securities Depositories

## 9.6.4. Transition for existing FPI investments

- Existing investments by FPIs in the specified securities shall be reckoned under FAR
- FPIs holding investments in the specified securities, have been provided 1 year from the date on which FAR comes into effect i.e. 1st April 2020, to readjust their investments under the GIL-MTF to comply with requirements there under

### 9.6.5. Comparative Chart for Investment routes in Debt Securities

Attached below is comparative table for the different routes

Subject	General Investment Limit – Medium Term Framework (GIL-MTF)	VRR	FAR
Quantitative Limit on Total Investment	<p>Yes. Current Limits</p> <p>Current Limits (From October 2020)</p> <p>G-Sec –</p> <p>INR 2,345.31(General)</p> <p>INR 1,035.31 billion (Long Term)</p> <p>SDL</p> <p>INR 676.3 billion (General)</p> <p>INR 71 billion (Long Term)</p> <p>Corporate Bond</p> <p>INR 5414.88 billion</p>	<p>— Aggregate limit - INR 1500 billion</p> <p>— To the extent limit is made available on-tap or for auction</p> <p>— Individual limit - to the extent the limit is obtained by bidding – CPS</p>	No quantitative limit applicable. The specified securities will be fully accessible to eligible foreign investors
Lock-in on Investments	No lock-in provisions on investments. Fund fully repatriable	<p>Yes.</p> <p>75% of the CPS is Non-repatriable for a minimum retention period of 3 years or higher retention period as per the bid by FPI</p>	No lock-in provision, fully repatriable
Eligible Investors	FPI	FPI	<p>Eligible non-resident investors:</p> <ul style="list-style-type: none"> <li>— FPIs</li> <li>— NRI</li> <li>— OCIs</li> <li>— Other entities permitted to invest in G-Secs under Debt Regulations</li> <li>— Other non-resident entities investing through ICSDs</li> </ul>

Subject	General Investment Limit – Medium Term Framework (GIL-MTF)	VRR	FAR
Investments in G-Secs and T-Bills	All G-Secs are permitted, provided investments in T-Bills and other G-Secs with short term maturity (<1 year residual maturity) does not exceed 30% of portfolio under G-Secs category	All G-Secs are permitted	Only specified G-Secs as below: — Securities issued after 1st April 2020, with tenor of: — 5 years — 10 years — 30 years — The following securities: — 6.18% GS 2024 (IN0020190396) — 7.32% GS 2024 (IN0020180488) — 6.45% GS 2029 (IN0020190362) — 7.26% GS 2029 (IN0020180454) — 7.72% GS 2049 (IN0020190032)
Investments in SDLs	Yes	Yes	No
Investments in Corporate Debt	Yes	Yes	No
Investments in Commercial Paper	No	Yes	No
Investments in Mutual Fund Units	Yes	No	No
Security-wise limit in G-Sec and T-Bill	30% of outstanding stock of the security	30% of outstanding stock of the security	No such limit

Subject	General Investment Limit – Medium Term Framework (GIL-MTF)	VRR	FAR
Residual Maturity Conditions	<ul style="list-style-type: none"> <li>— Investments should be in more than 1 year residual maturity. Exception for G-Sec and T-Bills where the investment in &lt;1 year residual maturity should not exceed 30% of the total portfolio in G-Sec and T-Bill.</li> <li>— Investments in less than 1 year on a continuous basis (i.e. roll down of portfolio) should not exceed 30% of the total portfolio value in that category</li> </ul>	No restrictions on maturity period	No restriction on maturity period
Concentration Limits	<ul style="list-style-type: none"> <li>— General FPIs - 10% of the overall limit in that category</li> <li>— Long-term FPIs - 15% of the overall limit in that category</li> </ul>	Not Applicable	Not Applicable
Single Investor-wise Group exposure limit for Corporate Bonds	Permitted to invest only upto 50% in a single ISIN (investment prior to April 27th 2018, grandfathered)	No such restriction on exposure. However if the entity has invested 50% in the ISIN through GIL-MTF, then they cannot invest balance 50% through VRR	Investment in Corporate Bonds is not permitted
End use restriction for investments in Unlisted bonds	End use restriction on investment in real estate business, capital market and purchase of land	End use restriction on investment in real estate business, capital market and purchase of land	Investment in Corporate Bonds is not permitted
Mandatory use of Route	<p>No.</p> <ul style="list-style-type: none"> <li>— Either GIL-MTF or VRR may be used subject to availability of head-room under the route</li> <li>— This route cannot be used to invest in FAR-specified securities</li> </ul>	<p>No.</p> <ul style="list-style-type: none"> <li>— Either GIL-MTF or VRR may be used subject to availability of head-room under the route</li> <li>— This route cannot be used to invest in FAR-specified securities</li> </ul>	Mandatory for eligible investors investing in specified securities to use FAR

Subject	General Investment Limit – Medium Term Framework (GIL-MTF)	VRR	FAR
Segregated accounts	Existing SNRR Cash account and Securities account can be used for investments under this route	Segregated SNRR Cash account and securities account required for investments under VRR	No separate accounts required. Existing SNRR cash account and securities as used for investments under GIL-MTF can be used for investments under FAR
Transition between Routes	<ul style="list-style-type: none"> <li>— Securities (other than FAR-specified) held under this route may be moved to VRR. However, no inward transition of securities to this route is permitted from other routes</li> <li>— All Existing investments in FAR-specified securities at the commencement of this route shall be automatically moved under FAR</li> <li>— INR Cash can be freely transferred to VRR cash account and can also be utilised for FAR</li> </ul>	<ul style="list-style-type: none"> <li>— Securities held under GIL-MTF may be moved to this Route, however, securities held in VRR cannot move to GIL-MTF</li> <li>— All Existing investments in FAR-specified securities at the commencement of this route shall be automatically moved under FAR</li> <li>— INR Cash can be freely transferred to GIL-MTF and FAR related cash account only if the 75% of the CPS threshold limit is not breached</li> </ul>	<p>All Existing investments in specified securities at the commencement of this route shall be automatically reckoned under FAR</p> <ul style="list-style-type: none"> <li>— No switch out of securities from FAR to other routes permitted</li> <li>— INR cash can be freely transferred to VRR account and can also be utilised for investments under GIL-MTF</li> </ul>

## 9.7. Investment Guidelines - Derivatives and Hybrid securities

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

### 9.7.1. Equity Derivatives

Investment Position limits:

Segment	Category-I	Category-II	
		Other than Individual, Family Offices and Corporates	Individual, Family Offices and Corporates
Stock Derivatives	20% of Market Wide Position Limit (MWPL)	10% of MWPL	5% of MWPL
Index Futures and Options*	Higher of: — INR 5 billion, or — 15% of total open interest of the market in index futures/ options	Higher of: — INR 3 billion, or — 10% of total open interest of the market in index futures/ options	Higher of: — INR 1 billion, or — 5% of total open interest of the market in index futures/ options

Additional Limits for Index Derivatives applicable to Category I FPIs are as follows:

- Short positions in index derivatives (short futures, short calls and long puts) not exceeding (in notional value) the FPI Category I holding of stocks
- Long positions in index derivatives (long futures, long calls and short puts) not exceeding (in notional value) the FPI's holding of cash, G-Secs, T bills and similar instruments

\*The Position Limits available in Stock Index Derivatives are separately available for Futures and for Options.

[https://www.nseindia.com/products/content/derivatives/equities/position\\_limits.htm](https://www.nseindia.com/products/content/derivatives/equities/position_limits.htm)

### 9.7.2. Interest Rate Futures (IRFs)

FPIs can invest in Exchange traded cash settled Interest Rate Futures. A separate limit of INR 50 billion has been allocated for FPIs investing in IRFs. The IRFs in which the FPI can invest are:

- 91-day T-Bills
- 6-year Government of India security
- 10-year Government of India security
- 13-year Government of India security

The limit of INR 50 billion for IRFs will be calculated as follows:

- For each IRF instrument, position of FPIs with a net long position will be aggregated. FPIs with a net short position in the instrument will not be reckoned
- No FPI can acquire net long position in excess of INR 18 billion at any point of time

#### I. Monitoring Mechanism

- Aggregate limits of all FPIs taken together at the end of the day will be published on a daily basis by the stock exchanges on their website
- Once 90% of the limit is utilised, stock exchanges shall put in place necessary mechanism to get alerts and publish on their websites the available limit, on a daily basis
- In case of breach of the threshold limit, the FPI whose investment caused the breach will have to square off their excess position within 5 trading days or by expiry of contract, whichever is earlier

## II. Position Limits for IRF contracts (Government of India security)

- Category I and II FPIs (other than individuals, family offices and corporates) – Trading member level Position limits
- Category II FPIs (Individuals, family offices and corporates – Client level position limits
- The total gross short (sold) position of each FPI in IRF shall not exceed its long position in the G-Secs and in Interest Rate Futures, at any point in time.

Category	8-11 years maturity bucket	4-8 and 11-15 year maturity bucket
Trading Member Level	10% of Open Interest or INR 12 billion whichever is higher	10% of Open Interest or INR 6 billion, whichever is higher
Client Level	3% of Open Interest or INR 4 billion, whichever is higher	3% of Open Interest or INR 2 billion, whichever is higher

- 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 G-Secs for FPIs.
- Position limit linked to total open interest will be applicable at the time of opening a position. Such positions would not be required to be unwound immediately by the market participants in the event of a drop of total open interest in IRF contracts within the respective maturity bucket
- Stock exchanges will direct the market participants to bring down their positions in order to comply with the applicable position limits within prescribed time
- Market participants will not be allowed to increase their open positions, or create new position in IRF of the respective maturity bucket, till they comply with applicable limits.

FPIs are required to ensure compliance with the above limits.

### 9.7.3. Currency Derivatives

FPIs are permitted to hedge their currency exposure on the OTC market by way of Forward cover with Banks/Primary dealers or by participating in the Currency Derivative segment of the Exchange.

The information related to currency hedging are provided in Chapter 12.

#### Participation in the Currency Derivative segment of the Exchange -

FPIs are allowed to access the Exchange traded currency futures and options, to hedge the currency risk arising out of their market value of their exposure to investment in debt and equity securities. These contracts are subject to the following conditions:

- FPIs can take both long (bought) position as well as short (sold) position, without having to establish underlying exposure, up to a single limit of USD 100 million, across all currency pairs involving INR, put together and combined across all exchanges
- Exchanges have been permitted to prescribe position limits for the contracts in currencies other than USD such that these limits are within the equivalent of USD 5 million
- FPIs shall be permitted to take long position in excess of the limits mentioned above, provided they have an equivalent underlying exposure in debt or equity securities in India
  - An FPI cannot take a short position beyond USD 100 million across all currency pairs involving INR, all put together at any point of time and combined across exchanges. In case a FPI breaches the short position limit, stock exchanges would restrict the FPI from increasing its existing short positions or creating new short positions in the currency pair, till such time the FPI complies with the requirements
- The options derivatives shall be part of the limits for respective currency pairs
- The exposure limit will apply on both end of day as well as intra-day
- These limits shall be monitored by the Exchanges and breaches, if any may be reported to the Financial Market Regulation Department of RBI

## I. Position limits for permitted currency pairs per stock exchange

### i. Position limits for Category I and II FPIs (except Individuals, Corporates and Family Offices) are as below:

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

### ii. Position limits for Category II FPIs which are Individuals, Corporates and Family Offices

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

- Position limit linked to total open interest will be applicable at the time of opening a position. Such position would not be required to be unwound in event of drop in total open interest at a stock exchange
- In such scenario, the eligible market participants will not be allowed to increase their open positions, or create new position in the currency pair, till they comply with applicable limits
- Stock exchanges will prescribe the time limit to the market participants in order to bring down their positions to comply with the applicable position
- FPIs, are allowed to take positions in the exchange traded cross-currency futures and option contracts for the following pairs, subject to the applicable norms as laid down by SEBI and RBI
  - EUR-USD
  - GBP-USD
  - USD-JPY

iii. Position limits for Category I and II FPIs (except Individuals, Corporates and Family Offices), as permitted by the respective sectoral regulators and AD Category-I banks in exchange traded cross currency derivatives

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

iv. Position limits for Category II FPIs which are Individuals, Corporates and Family Offices in exchange traded cross currency derivatives

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

v. Methodology for calculating USD 10 million equivalent in other currency pairs

- The exchange will provide a fixed conversion ratio from USD 1 million into respective currency pair. The ratio provided by the exchange will be amended 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

vi. Alerts for client level position

- The Exchange will provide alerts to the clearing member or custodian if the gross open position of a client across all contracts exceeds the aforesaid position limits at the end of the day.
- 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.

II. Responsibilities of FPI:

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

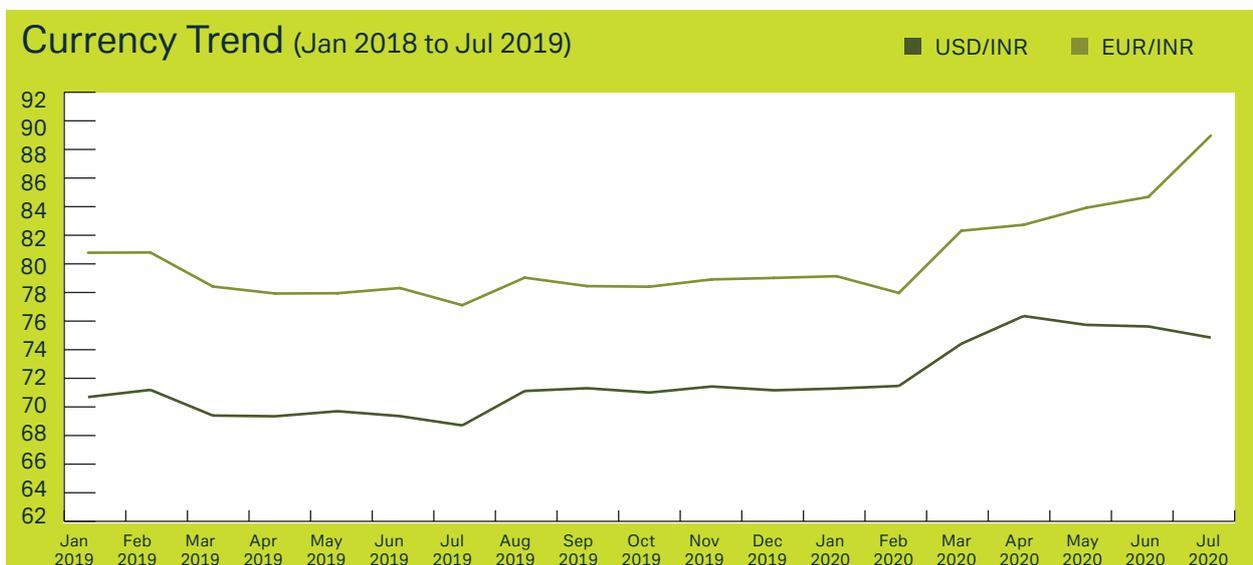
may be taken by RBI, under the FEMA.

**III. Monitoring of position:**

- 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 3 currency pairs and separate for long position across the 3 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 graph below reflects the currency trend since January 2000.



Source: RBI



Source: RBI

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

- FPIs have been permitted to invest in units of:
  - Real Estate Investment Trusts (REITs)
  - Investment Infrastructure Trusts (InvITs) and
  - Category III Alternative Investment Funds (AIFs) except those investing in Commodities derivatives market

FPIs have been permitted to hold upto 25% stake in a category III AIF

Both REITs and InvITs are regulated by SEBI and need to seek registration as under:

REITs	InvITs
The Trust needs to be registered with the SEBI as Real Estate Trust under the REITs regulations	InvITs are required to obtain certificate of registration from SEBI

All new applications for REITs and InvITs will be accepted online only, through the SEBI Intermediary Portal

### 9.8.1. Real Estate Investment Trusts (REITs)

The concept of collective Real Estate Investment was first introduced in the form of Real Estate Mutual Funds, in 2008. However, the Real Estate Mutual Funds (REMFs) failed to catch market fancy. On September 26, 2014, the SEBI, notified new regulations for introduction of Real Estate Investment Trusts (REITs). As REITs are different from REMFs, SEBI has also kept Real Estate Mutual Fund regulations operational.

#### What are REITs?

REITs are special Trusts formed to serve as Collective Investment Vehicle, intending to invest the bulk of its money in Real Estate, in order to provide returns to the investors of such Trusts.

“REITs asset” includes properties, whether, freehold or leasehold basis, whether directly or through a holdco and/ or a SPV

#### 9.8.1.1. Issue and allotment of units

- A REIT shall make an initial offer of its units by way of public issue only
- A public offer can be made, only if:
  - The value of assets owned by REIT is at least INR 5 billion
  - The minimum number of unit holders forming part of public is 200. Sponsor, it's related party and associates would not be included in this count. If the count is below 200, all subscription amount should be refunded
- No initial offer of units by the REIT shall be made unless:
  - The REIT is registered with the SEBI under REITS regulations
  - Value of all the assets owned by REIT is not less than INR 5 billion
- The units proposed to be offered to the public through initial offer:
  - Will be at least 25% of the total outstanding units and units being offered, if the post issue capital at offer price is less than INR 16 billion
  - Will be at least INR 4 billion if post issue capital is more than or equal to INR 16 billion and less than INR 40 billion.
  - Will be at least 10% of the total outstanding units and units being offered, if the post issue capital at offer price is more than INR 40 billion
- REIT should refund money to all applicants in case it fails to collect subscription amount exceeding 90% of the issue size as specified in the offer document
- Minimum subscription amount from an applicant to be INR 0.2 million
- Maximum permissible period for subscription to be open is 30 days

- Allotment or refund, should be within 12 working days from date of closure of issue
- Units can be issued only in demat form
- Price of REIT units would be determined using book building, or any other process specified by SEBI
- Failure to allot or list the unit, or refund the money, would make the manager liable to interest of 15% per annum till the allotment, listing or refund is completed
- Existing unit holders of REIT are allowed to offer units for sale to public, if such units have been held by them for at least 1 year (up to the date of filing offer document),
  - Holding period for compulsorily convertible securities (from the date such securities are fully paid-up) in the Holdco and/ or SPV against which the units have been received, is considered for the purpose of calculation of 1-year period. This is in addition to the existing provision for equity shares or partnership interest
  - Further, the compulsorily convertible securities, whose holding period has been included for the purpose of calculation for offer for sale, shall be converted to equity shares of the holdco or SPV, prior to filing of offer document

#### 9.8.1.2. Listing and Trading of Units:

- After the initial offer it shall be mandatory for all units of REITs to be listed on a recognised stock exchange having nationwide trading terminals within a period of 12 working days from the date of closure of the offer
- The listing of the units of the REIT shall be in accordance with the listing agreement entered into between the REIT and the designated stock exchange
- In the event of non-receipt of listing permission from the stock exchange(s) or withdrawal of Observation Letter issued by the Board, wherever applicable, the units shall not be eligible for listing and the REIT shall be liable to refund the subscription monies, if any, to the respective allottees immediately
- The units of the REIT listed in recognised stock exchanges shall be traded, cleared and settled in accordance with the bye-laws of concerned stock exchanges and such conditions as may be specified by the Board
- Trading lot for the purpose of trading of units of the REIT shall be INR 0.1 million
- The REIT shall redeem units only by way of a buy-back or at the time of delisting of units
- The units of REIT shall remain listed on the designated stock exchange unless delisted
- The minimum public holding for the units of the listed REIT shall be in accordance with the Regulation, failing which action may be taken as may be specified by the Board and by the designated stock exchange including delisting of units
- Any person other than the sponsor(s) holding units of the REIT prior to initial offer shall hold the units for a period of not less than one year from the date of listing of the units subject to circulars or guidelines as may be specified by the SEBI
- A REIT whose units are listed on a recognised stock exchange, is permitted to issue debt securities in the manner specified by SEBI. Provided that such debt securities shall be listed on recognized stock exchange

#### 9.8.1.3. Valuation

- The valuer should not be an associate of the sponsor or manager or trustee and should have at least 5 years of experience in valuation of real estate
- Full valuation includes a detailed valuation of all assets by the valuer including physical inspection of every property by the valuer
- A full valuation to be conducted by the valuer at least once in every financial year, at the end of financial year within 3 months from end of the financial year
- Half yearly valuation of the REIT assets to be conducted by the valuer for the half year ending on September 30, for incorporating any key changes in the previous 6 months and this half yearly valuation report to be prepared within 45 days from the date of end of the half year

- No valuer shall undertake valuation of the same property for more than four years consecutively
- In case of any material development that may have an impact on the valuation of the REIT assets, manager would require the valuer to undertake full valuation of the property under consideration within not more than two months from the date of such event and disclose the same to the trustee, investors and the Designated Stock Exchanges within 15 days of such valuation
- The valuer shall not value any assets in which it has either been involved with the acquisition or disposal within the last 12 months other than such cases where valuer was engaged by the REIT for such acquisition or disposal
- For any transaction of purchase or sale of properties involving non-related party transaction shall require full valuation, and additionally require unit holder approval, if:
  - Property purchased at value greater than 110% of assessed value
  - Property sold at value less than 90% of the assessed value.

### 9.8.2. Infrastructure Investment Trusts (InvITs)

InvIT is a mechanism that enables developers of infrastructure assets to monetise their assets by pooling multiple projects under a single entity (trust structure). They work like mutual funds and are designed to pool small sums of money from a number of investors to invest in portfolio of infrastructure assets that give cash flow over a period of time. Part of this cash flow would be distributed as dividend back to investors. The objective of InvITs is to facilitate investment in the infrastructure sector. SEBI introduced infrastructure investment trust (InvIT) regulations for infrastructure projects keeping in mind the huge infrastructure needs of the country

InvIT are special Trusts formed to serve as Collective Investment Vehicle, intending to invest the bulk of its money in Infrastructure projects, which would increase public participation in infrastructure projects, reduce debt cost for the infrastructure development company, and allow investors access to a different class of portfolio to invest in.

#### 9.8.2.1. Key Features of an InvIT

- InvITs are set up as trust and registered with SEBI
- It consists of 4 participants
  - Sponsors: Any company or LLP or body corporate which sets up the InvIT and is designated as such at the time of application made to the Board
  - Trustee: means a person who holds the InvIT assets in trust for the benefit of the unit holders, in accordance with InvITs regulations
  - Investment Manager: means a company or LLP or body corporate which manages assets and investments of the InvIT and undertakes activities of the InvIT as specified in the regulation
  - Project Manager: Responsible for execution of the project
- InvITs has to be listed on the stock exchange
- InvITs shall invest in infrastructure projects, either directly, through SPV or through holding company, except in case of Public-Private Partnership (“PPP”) projects, where investments shall only be through holding company or SPV
- An InvIT shall hold controlling interest and more than 50% of the equity share capital or interest in the SPV, except where the same is not feasible because of a regulatory requirement or requirement emanating from the concession agreement. In such cases the Sponsor shall enter into an agreement with the InvIT, to ensure that no decision taken by the Sponsor, including voting decisions with respect to the SPV, are against the interest of InvIT/ its unit holders
- InvITs have to ensure that they distribute 90% of their net cashflow to the investors

### 9.8.2.2. Issue and allotment of units

- No initial offer of units by the InvIT shall be made unless:
  - the InvIT is registered with the SEBI under InvITs regulations
  - Value of all the assets owned by InvIT is not less than INR 5 billion
  - The offer size is not less than INR 2.5 billion
  - The requirement of the value of assets and offer size may be complied at any point of time before allotment of units subject to a binding agreement between relevant parties, disclosures in offer document, and declaration to SEBI and designated stock exchanges.

### 9.8.2.3. Listing and Trading of Units

- It shall be mandatory for units of all InvITs to be listed on a recognised stock exchange having nationwide trading terminals. The listing of the units shall be in accordance with the listing agreement entered into between the InvIT and the designated stock exchanges. In the event of non-receipt of listing permission from the stock exchange(s) or withdrawal of Observation Letter issued by SEBI, wherever applicable, the units shall not be eligible for listing and the InvIT shall be liable to refund the subscription monies, if any, to the respective allottees immediately along with interest at the rate of fifteen per cent. per annum from the date of allotment.
- InvIT will have to file the final placement memorandum with SEBI within 10 working days from date of listing of the units issued therein.
- With respect to listing of privately placed units, its units shall be mandatorily listed on the designated stock exchange(s) within thirty working days from the date of allotment. With respect to listing of publicly offered units, its units shall be mandatorily listed on the designated stock exchange(s) within twelve working days from the date of closure of the initial public offer
- The minimum number of unit holders in an InvIT other than the sponsor(s)
  - In case of privately placed InvIT, shall be five, each holding not more than twenty-five per cent. of the units of the InvIT;
  - Forming part of public shall be twenty, each holding not more than twenty five per cent. of the units of the InvIT, at all times post listing of the units
- Trading lot for the purpose of trading of units on the designated stock exchange shall be rupees one crore
- Any person other than the sponsor(s) holding units of the InvIT prior to initial offer shall hold the units for a period of not less than one year from the date of listing of the units
- The Board and designated stock exchanges may specify any other requirements pertaining to listing and trading of units of the InvIT by issuance of guidelines or circulars.

### 9.8.2.4. Norms notified by Exchanges relating to trading and settlement in units of Infrastructure Investment Trusts (InvITs)

Topic	Details
Segment	Capital Market Segment
Eligible Members	All members eligible to trade in Capital Market (CM) segment can trade in units of InvITs
Clearing Member	All clearing members in CM segment shall be eligible for InvIT settlement
Market Sessions	Units will be available for trading in Pre-Open, Continuous and Closing session
Price bands	+ /- 20% (IPO > 2.5 INR Billion). + / -5% (IPO < 2.5 INR Billion)
Tick Size	INR. 0.01

Topic	Details
Permitted lot size (Market Lot)	Number of units equivalent to minimum INR. 0.5 Million based on the price at the time of introduction. BSE: The lot size shall be revised every 6 months or on any corporate action whichever is earlier NSE: The Lot size shall be revised /reviewed by Exchange from time to time.
Single order value limit for normal window	BSE: INR 100 Million. NSE has not specified anything separately
Order matching	Anonymous order book. Continuous matching with Price – Time priority
Margin	Margining framework for InvITs shall be as applicable to other securities in CM Segment.
Transaction Charges	BSE: Transactions charges will be levied on Transaction Value. Transaction Charges will be INR.275 per 10 million for Normal, ODD Lot trades as well as Auction trade each.
Series	For NSE: — Rolling settlement with series as IV (EQ equivalent) — Trade for Trade with series as ID (BE equivalent) — Institutional segment with series as IA (IL equivalent)  For BSE: — “IF” group for normal/rolling settlement — “IT” group for trade to trade settlement
Settlement of Securities	— Settlement guarantee shall be provided for trades and settlement shall be compulsorily done in dematerialised mode. — Trades executed in InvIT shall be settled on a T+2 rolling basis. — Trades executed normal/rolling series will be cleared and settled on a net obligations basis within series. — Trades executed and settled on a trade for trade basis will be cleared and settled (on gross basis). There will be no netting of transactions.
Auction of Securities	— Settlement shortages in case of the securities traded in normal /rolling series will be via auction mechanism. — Settlement shortages in case of the securities traded in trade for trade basis will be directly closed out
Block Deal	The units of InvITs shall also be available in block deal trading window. Order entry in block trading window shall be in multiples of applicable lot size

### 9.8.3. Preferential issue and private placement of REITs and InvITs

Institutional Placement has been defined as preferential issue of units by a listed REIT/ InvIT, only to Institutional Investors

A listed REIT/ InvIT may make a preferential issue or institutional placement of units subject to following conditions:

- A resolution of the existing unitholders approving the issue of units is passed as per Regulation 22(6) of REITs Regulations/ Regulation 22(5) of InvITs Regulations
- Units of the same class, as those proposed to be allotted should have been listed on a stock exchange for at least 6 months before the date of notice convening meeting of unitholder for above resolution
- For Institutional Placement, the period for listing is at least 12 months before the date of notice

- The REIT/ InvIT has obtained in principle approval of the stock exchange for listing of units proposed to be issued
- The REIT/ InvIT is in compliance with all the conditions for continuous listing and disclosure obligations under the REIT Regulations/ InvIT Regulations
- None of the promoters or partners or directors of the sponsors or manager or trustee of the REIT/ InvIT is a fugitive economic offender under Fugitive Economic Offenders Act, 2018
- The REIT/ InvIT cannot make any subsequent institutional placement within 6 months from the date of the prior institutional placement.

#### 9.8.4. Strategic Investor REIT/ InvIT:

The term 'Strategic Investor' has been aligned for REITs/ InvITs to mean:

- an infrastructure finance company registered with the RBI as a NBFC;
- a Scheduled Commercial Bank;
- a multilateral and/or bilateral development financial institution;
- a systemically important NBFC registered with the RBI;
- a FPI

who invest, either jointly or severally, not less than 5% of the total offer size of the REIT or such amount as may be specified by SEBI from time to time, subject to the compliance with the applicable provisions, if any, of the FEMA, 1999 and the rules or regulations or guidelines made thereunder.

A REIT or InvIT may invite subscription from strategic investors subject to following condition

- The strategic investors, jointly or severally must invest a minimum of 5% and not more than 25% of the total offer size
- The investment manager/ manager of InvIT/ REIT should enter into a binding unit subscription agreement with the strategic investor. The unit subscription agreement cannot be terminated except if the issue fails to collect minimum subscription
- Subscription price per unit, payable by the strategic investors should be set out in the unit subscription agreement and entire subscription price should be deposited in a special escrow account, prior to opening of the public issue
- The price at which the strategic investor has agreed to buy units should not be less than the issue price determined in the public issue
  - If the price determined in public issue is higher than the price at which allocation is made to strategic investors, the strategic investor is required to bring in additional amount within 2 working days, from determination of the price in public issue
  - If the price determined in public issue is lower than the price at which allocation is made to strategic investor, the strategic investor would get allotment at the price decided in the unit subscription agreement; i.e. the excess amount, over the price determined in public issue, shall not be refunded
- The draft offer document/ offer document, should disclose details of the unit subscription agreement, such as:
  - Name of each strategic investor
  - Number of units proposed to be subscribed/ investment amount
  - Proposed subscription price per unit

Units subscribed by strategic investors under the unit subscription agreement will be locked-in for a period of 180 days from date of listing in public issue.

#### 9.8.5. Alternative Investment Funds (AIFs)

The need for Alternative Investment Funds (AIFs) in India was boosted with the surge in venture capital investments. In 2012, SEBI took steps to completely overhaul the regulatory framework for domestic funds in India and introduced the SEBI (Alternative Investment Funds) Regulations, 2012. Among the main reasons cited by SEBI to highlight its rationale behind introducing the AIF Regulations was to recognise AIFs as a distinct asset class; promote start-ups and early stage

companies; to permit investment strategies in the secondary markets; and to tie concessions and incentives to investment restrictions.

### 9.8.5.1. Definition

Alternative Investment Fund (AIF) means any fund established or incorporated in India in the form of:

- a trust or
- a company or
- a limited liability partnership (LLP) or
- a body corporate
- It is a privately pooled investment vehicle which collects funds from investors, whether Indian or foreign, for investing it in accordance with a defined investment policy for the benefit of its investors; and
- It is not covered under the SEBI (Mutual Funds) Regulations, 1996, SEBI (Collective Investment Schemes) Regulations, 1999 or any other regulations of SEBI to regulate fund management activities.

The following shall not be considered as AIF:

- family trusts set up for the benefit of relatives as defined under Companies Act, 1956;
- ESOP Trusts set up under the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme), Guidelines, 1999 or as permitted under Companies Act, 1956;
- employee welfare trusts or gratuity trusts set up for the benefit of employees;
- holding companies within the meaning of Section 4 of the Companies Act, 1956;
- other special purpose vehicles not established by fund managers, including securitisation trusts, regulated under a specific regulatory framework;
- funds managed by securitisation company or reconstruction company which is registered with the RBI under Section 3 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002;
- any such pool of funds which is directly regulated by any other regulator in India.

### 9.8.5.2. Private Placement

An AIF cannot solicit or collect funds except by way of private placement.

### 9.8.5.3. Registration of Alternative Investment Funds:

An entity or person can act as an AIF only upon it has obtained a certificate of registration from SEBI.

Alternative Investment Funds shall seek registration in one of the categories mentioned hereunder

Category I	Category II	Category III
<p>AIF which invests in start-up or early stage ventures or social ventures or SMEs or infrastructure or other sectors or areas which the government or regulators consider as socially or economically desirable and shall include:</p> <ul style="list-style-type: none"> <li>— venture capital funds, including angel fund</li> <li>— SME Funds,</li> <li>— social venture funds,</li> <li>— infrastructure funds</li> <li>— and such other AIF as may be specified</li> </ul>	<p>AIF which does not fall in Category I and III and which does not undertake leverage or borrowing other than to meet day-to-day operational requirements and as permitted in AIF Regulations</p>	<p>AIF which employs diverse or complex trading strategies and may employ leverage including through investment in listed or unlisted derivatives.</p>

#### 9.8.5.4. Investment Restrictions and Conditions for AIFs

Category I AIFs	<ul style="list-style-type: none"> <li>— Category I AIFs shall invest in investee companies or venture capital undertakings or in special purpose vehicles or in LLP or in units of other AIFs specified in the Regulations</li> <li>— Category I AIF of a particular sub-category may invest in the units of the same sub-category of Category I AIFs. However, this investment condition is subject to the further restriction that Category I AIFs are not allowed to invest in the units of Fund of Funds</li> <li>— Category I AIFs shall not borrow funds directly or indirectly or engage in leverage except for meeting temporary funding requirements for more than thirty days, on not more than four occasions in a year and not more than 10% of its investible funds</li> </ul> <p>In addition to these investment conditions, the AIF Regulations also prescribe a set of investment conditions in respect of each sub-category of Category I AIFs</p>
Category II AIFs	<ul style="list-style-type: none"> <li>— Category II AIFs shall invest primarily in unlisted investee companies or in units of other AIFs as may be specified in the placement memorandum;</li> <li>— Category II AIFs may invest in the units of Category I and Category II AIFs. This is subject to the restriction that Category II AIFs cannot invest in the units of Fund of Funds;</li> <li>— Category II AIFs shall not borrow funds directly or indirectly or engage in leverage except for meeting temporary funding requirements for more than thirty days, on not more than four occasions in a year and not more than 10% of its investible funds;</li> <li>— Category II AIFs may enter into an agreement with a merchant banker to subscribe to the unsubscribed portion of the issue or to receive or deliver securities in the process of market making under the ICDR Regulations;</li> <li>— Category II AIFs shall be exempt from Regulations 3 and 3A of the Insider Trading Regulations in respect of investments in companies listed on SME exchange or SME segment of an exchange pursuant to due diligence of such companies. This is subject to the further conditions that the AIF must disclose any acquisition/ dealing within 2 days to the stock exchanges where the investee company is listed and such investment will be locked in for a period of 1 year from the date of investment.</li> </ul>
Category III AIFs	<ul style="list-style-type: none"> <li>— Category III AIFs may invest in securities of listed or unlisted investee companies or derivatives or complex or structured products;</li> <li>— Category III AIFs may invest in the units of Category I, Category II and Category III AIFs. Category III AIFs cannot invest in the units of Fund of Funds;</li> <li>— Category III AIFs engage in leverage or borrow subject to consent from investors in the fund and subject to a maximum limit as may be specified by SEBI;</li> <li>— Category III AIFs shall be regulated through issuance of directions by SEBI regarding areas such as operational standards, conduct of business rules, prudential requirements, restrictions on redemption and conflict of interest.</li> <li>— Category III AIFs have been permitted to participate in Commodity Derivatives Exchanges as 'clients', subject to fulfilment of certain conditions.</li> </ul>

#### 9.8.5.5. General Investment Conditions.

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

- AIF may invest in securities of companies incorporated outside India subject to such conditions or guidelines that may be stipulated or issued by the RBI and SEBI from time to time;
- Co-investment in an investee company by a Manager or Sponsor shall not be on terms more favorable than those offered to the Alternative Investment Fund;
- Category I and II AIF shall invest not more than 25% of the investable funds in 1 Investee Company;
- Category III AIF shall invest not more than 10% of the investable funds in 1 Investee Company;
- AIF shall not invest in associates except with the approval of 75% of investors by value of their investment in the AIF;
- Un-invested portion of the investable funds may be invested in liquid mutual funds or bank deposits or other liquid assets of higher quality such as T-Bills, CBLOs, CP, CD, etc. till deployment of funds as per the investment objective;
- Investment by Category I and Category II Alternative Investment Funds in the shares of entities listed on institutional trading platform shall be deemed to be investment in 'unlisted securities' for the purpose of AIF Regulations.
- Category III AIFs can participate in all commodity derivatives products that are being traded on the commodity derivatives exchanges as 'clients' and shall be subjected to all the rules, regulations and instructions, position limit norms as may be applicable to clients, issued by SEBI and Exchanges from time to time:
  - Cannot invest more than 10% of the investable funds in one underlying commodity
  - May engage in leverage or borrow, subject to consent from the investors in the fund and subject to any maximum limit specified by SEBI
  - They should provide disclosure in private placement memorandum issued to the investors about investment in commodity derivatives. Cat-III AIF intending to invest in commodity derivatives should obtain consent of existing investors and provide an exit opportunity to dissenting investors
- Under extant regulations, FPIs are not allowed to invest in commodities derivatives. This will limit participation of FPIs as investors in Cat-III AIFs which invest in commodity derivatives. Category-II and Category-III, AIFs, have been specified as "Qualified Buyer" of Security Receipts (SRs) issued by Asset Reconstruction Companies (ARCs). The permission is subject to following conditions:
  - The AIF which has invested in an ARC shall not invest in the SRs issued by that ARC
  - The AIF shall not invest in the SRs issued on the underlying loans of any of its associate or group company
  - The AIF shall not invest in the SRs backed by non-performing assets of banks which hold equity of more than 10% in that AIF
- Enhanced limits of USD 750 million have been notified for overseas investments by domestic AIFs and Venture Capital Funds (VCFs)

#### 9.8.5.6. Valuation

- The Alternative Investment Fund shall provide to its investors, a description of its valuation procedure and of the methodology for valuing assets
- Category I and Category II AIF shall undertake valuation of their investments, atleast once in every 6 months, by an independent valuer appointed by the Alternative Investment Fund:
  - Provided that such period may be enhanced to 1 year on approval of atleast 75% of the investors by value of their investment in the Alternative Investment Fund
  - Category III AIF shall ensure that calculation of the net asset value (NAV) is independent from the fund management function of the AIF and such NAV shall be disclosed to the

investors at intervals not longer than a quarter for close ended Funds and at intervals not longer than a month for open ended funds.

#### 9.8.5.7. Listing

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

#### 9.8.5.8. Eligible Investors

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

- AIF may raise funds from any investor whether Indian, foreign or non-resident Indians by way of issue of units
  - A person resident outside India (other than an individual who is citizen of or any other entity which is registered/ incorporated in Pakistan or Bangladesh)
  - A Non-Resident Indian (NRI)
  - FPI
- Category III Alternative Investment Funds (AIFs)
- A FPI shall not hold more than 25% stake in a category III AIF

#### 9.8.5.9. Stewardship Code

SEBI has mandated stewardship code for domestic Mutual Funds and AIFs. The Stewardship Code broadly provides for formulation and public disclosure of comprehensive policy on discharge of stewardship responsibilities, by MFs and AIFs (Institutional Investors). The policy should be periodically reviewed and updated. A clear policy on managing conflict of interest in fulfilling their stewardship responsibilities should be formulated and publicly disclosed.

### 9.8.6. Funding of investments in REITs, InvITs/ AIFs

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

## 9.9. Investment Guidelines - Offshore Derivative Instruments (ODIs)

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

### 9.9.1. Conditions for issuance of ODIs under FPI Regulations 2019

#### I. Threshold for Determination of ODI

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

#### II. Issue of ODIs

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

### III.KYC Requirements

KYC requirement are as follows

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

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

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

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

### Ownership Basis

Information of Intermediate material shareholder/ owner- on Ownership basis Name	Direct/ Indirect Stake	Names of the Entities through which the stake in the FPI is held indirectly	Percentage stake held in the applicant	Country/ Nationality	Individual/ Non-Individual

### Control Basis

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

- KYC to be reviewed at periodic intervals
  - Annually for high risk clients
  - Every 3 years for all others
- ODI issuing FPIs shall file suspicious transaction reports if any, with the Indian Financial Intelligence Unit, in relation to the ODIs issued by it
- IV. Clubbing of investment limits for ODIs
  - 2 or more ODI subscribers having common ownership, directly or indirectly, of more than 50% or common control shall be considered together as a single ODI subscriber
  - An entity holding position as a FPI as well as ODI subscriber, in the underlying Indian company will be clubbed together for monitoring the investment limit of below 10% of the total paid up capital of the company on a fully diluted basis.
- V. Transfer of ODIs
  - ODI issuer shall ensure that any transfer of ODIs issued by it or on its behalf is carried out only to persons fulfilling the criteria under 9.9.1 (II) and 9.8.1 (III)
  - Prior consent of the issuing FPI should be obtained for such transfer, unless the person to whom the ODIs are to be transferred to are pre-approved by the FPI
- VI. FPI to fully disclose to SEBI any information concerning the terms of and parties to ODI, entered into by it relating to any securities listed or proposed to be listed in any stock exchange in India
- VII. All the ODI positions which are not in accordance with the above requirements are permitted to continue till the expiry of the ODI contract. No additional issuances/ renewal/ rollover of such positions shall be permitted.
- VIII. Prohibition from issue of ODI with underlying as Derivatives:
  - FPIs shall not be allowed to issue ODIs referencing derivatives. Further, no FPI shall be allowed to hedge their ODIs with derivative positions on stock exchanges in India, except as under:
    - Derivative positions that are taken on stock exchanges by the FPI for 'hedging of equity shares' held by it in India, on a one to one basis
    - An ODI issuing FPI may hedge the ODIs referencing equity shares with derivative positions in Indian stock exchanges, subject to a position limit of 5% MWPL for single

stock derivatives. The permissible position limit for stock index derivatives is higher of INR 1 billion or 5% open interest

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

Please refer to the below table

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

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

IX. ODI subscriber who became ineligible under the Regulation may continue to hold their existing positions till December 31, 2020

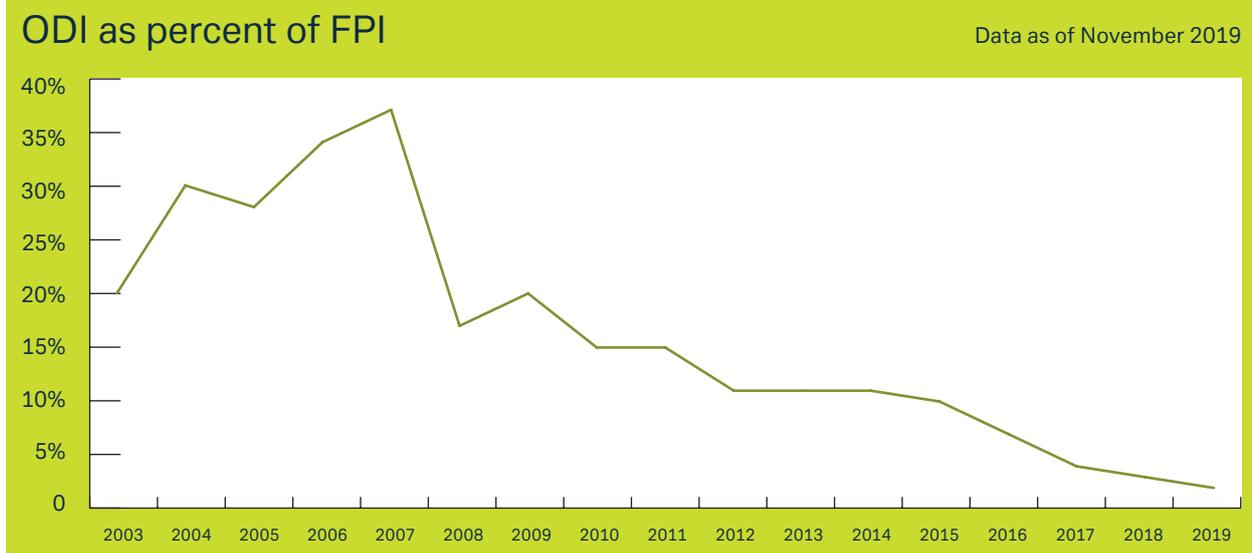
X. Regulatory Fees

Each ODI subscriber need to remit USD 1,000 to the FPIs issuing ODIs. The FPIs to deposit the fees with SEBI once every 3 years.

### 9.9.2. Reporting of Issuance of ODI/ Participatory Notes by FPIs

- ODI issuing FPIs have to submit reports as per specified format and frequency
- A monthly summary report and transaction details by the 10th of every month for previous month transactions
  - The ODI issuers are required to capture the details of all the intermediate transfers during the month in the monthly report submitted to SEBI
  - To avoid duplication of reporting, in case ODI is issued to another FPI who in turn issues an ODI, then both the FPIs need to report the ODI issuance. The first FPI will limit the intermediate transfer to the extent of second FPI. The second FPI will report the further issuance
  - FPIs shall commence reporting to SEBI only from the month they start issuing ODIs
- Manner of submission: The reports shall be submitted
  - To be sent by the compliance officer of the respective FPI
  - password secured excel format via email (odireporting@sebi.gov.in). The password should be sent in a subsequent email.
  - The subject line should read - "ODI/ PN Report of [FPI Name and Registration No.] for the month of [...]"
- Reconfirmation of ODI positions: Reconfirmation of positions by ODI issuers to be done on a semi-annual basis and any divergence from reported monthly data, to be informed to SEBI in the format specified
- Annual certificate on periodic operational evaluation, controls and procedures to be submitted (within 1 month of end of every calendar year) to SEBI duly signed by the Chief Executive Officer (CEO) or equivalent of the ODI issuing FPI

Investments via ODIs as a percentage of FPI flows have been shrinking over the years. From a high of 55.7% in June 2007, the investments through ODI has fallen in the recent years due to tightening of norms, and currently stands at 2% of the total FPI inflows as of Nov 2019



Source: NSDL

## 9.10. Reporting requirements

The table below summarises the reporting requirements for FPI

Report	Reporting to	Frequency	Responsibility	Remarks
<b>FPIs:</b>				
Assets under custody	SEBI	Fortnightly, Monthly	Custodian	
Equity and Debt Transaction	SEBI, RBI and Depositories (NSDL, CDSL)	Daily	Custodian	
CSGL reporting of transaction	RBI	Weekly	Custodian	
Original Maturity wise FPI holding in debt	SEBI	Monthly	Custodian	
Residual maturity reporting	SEBI RBI	Monthly Weekly	Custodian	
Debt limit Reporting (Corporate Bonds)	Depositories (NSDL, CDSL)	Daily	Custodian	To facilitate calculation of daily debt utilisation limits of FPIs. The limits are published at EOD by the depositories on their website.
Ownership pattern of GOI securities by FPI	RBI	Daily	Custodian	
Utilised-unutilised Debt limit	SEBI and RBI	As and when	Custodian	
FPI holding in corporate debt and G-Sec	RBI	Fortnightly	Custodian	Holding with details of purchase/ sale at an ISIN level for each FPI is reported
Client wise debt holding	Depositories (NSDL, CDSL)	Monthly	Custodian	
Foreign Exchange inflow and outflow details	RBI	Daily, weekly and monthly	AD Category I Bank	
Report for GDR repatriations	RBI	Monthly	AD Category I Bank	
Balances for FPI clients	RBI	Weekly	AD Category I Bank	
Details of outstanding forward contracts	RBI	Monthly	AD Category I Bank	

Report	Reporting to	Frequency	Responsibility	Remarks
Non trade data (dividend, interest etc.)	RBI	Quarterly	AD Category I Bank	
Breach of permitted position limits in currency derivative segment	SEBI/ RBI	On occurrence of the breach	Custodian Bank	
Reporting under (SAST) Regulations, 2011	<ul style="list-style-type: none"> <li>— Stock Exchanges where the shares of the target company are listed</li> <li>— The target company at its registered office.</li> </ul>	<p>On reaching the prescribed threshold of:</p> <ul style="list-style-type: none"> <li>— 5% or more of the shares of the target company</li> <li>— +/- 2% change in the holding position of the target company</li> </ul> <p>Reporting to be done within 2 working days</p>	FPI/ FDI/ FVCI	
Insider Trading Regulations	To the Company	<p>Types of disclosures as per provisions of the Act</p> <ul style="list-style-type: none"> <li>— Initial Disclosures</li> <li>— Continual Disclosures</li> <li>— Disclosures by other connected persons</li> </ul>	FPI/ FDI/ FVCI	
<p>Issuance of ODIs:</p> <ul style="list-style-type: none"> <li>— Transaction Reporting (Equity, Debt and F&amp;O)</li> <li>— Reporting of complete transfer trails of ODIs</li> <li>— Summary Report (As per the prescribed format)</li> </ul>	SEBI	Monthly	FPIs issuing the ODIs	

Report	Reporting to	Frequency	Responsibility	Remarks
— Reconfirmation of ODI positions	SEBI	Semi-Annual	FPI issuing ODI	Exception reporting: Only cases of divergence from reported monthly data
— Periodic Operational Evaluation Certificate	SEBI	Annual	CEO or equivalent of the issuer	

# 10 Clearing and Settlement

## 10.1. Overview

The Securities markets in India has witnessed several innovations in Clearing and Settlement mechanism, which includes use of:

- State of art information technology
- Compression of settlement cycle
- Electronic transfer of securities
- Securities lending and borrowing
- Efficient risk management systems
- Clearing corporations for counterparty risk management

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

Earlier stock exchanges in India followed a system of account period settlement for cash market transactions and subsequently a T+2 rolling settlement was introduced for listed equities. In the rolling settlement pay-in and pay-out of funds as well as securities takes place 2 working days after the trade is executed. i.e T+2 (T being the Trade day)

In the dematerialised environment, the transfer of securities is almost instantaneous between the two parties involved in the transactions. The depositories National Securities Depositories Ltd. (NSDL) and Central Depositories Services Ltd. (CDSL) provide electronic transfer of securities.

The core functions involved in clearing and settlement function 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 Clearing and settlement

The equity stock market in India transitioned to T+2 rolling settlements effective from April 2003. Effective April 2019, the equities market has moved fully to settlement of shares by book transfer to eliminate physical shares. While shares can still be held in physical form, trading of shares held in physical form is no longer permitted, except in case of transmission or transposition of shares. Clearing participants in the settlement of an equity transaction along with Intermediaries perform the following functions:

- **Clearing Corporations** like the **NSE Clearing Ltd. (NCL)/ Indian Clearing Corporation Limited (ICCL)/ Metropolitan Clearing Corporation of India Ltd. (MCCIL)**: are responsible for post trade activities of the stock exchange Clearing and settlement of trades and risk management are its core central functions.
- **Trading members**: execute trades on the stock exchange and has the primary responsibility of settlement of trades. They have the option to give up the trades to custodian clearing members of institutional investors for settlement.
- **Clearing Members**: are responsible for settling their obligations on behalf of the trading members as determined by the clearing corporations. The clearing members have to make available funds and/or securities in the designated accounts on the settlement day
- **Custodians**: Custodian as clearing members settle trades assigned to them by trading members on behalf of the institutional investors
- **Clearing Banks**: Settlement of funds takes place through clearing banks. All clearing members need to have their Cash account opened with one of the clearing banks
- **Depositories**: The Depositories (NSDL and CDSL) help in settlement of the dematerialised securities
- **Professional Clearing Member**: Special category of members admitted by the clearing corporations may clear and settle trades executed for their clients (individuals, institutions etc.)

### Interoperability of Clearing Corporations

Previously, trades had to be settled only through the clearing corporation of the stock exchange on which the trade was executed. e.g. Trades on NSE would be settled through NCL, and trades on BSE through ICCL. Since the introduction of Interoperability, the clearing members need to designate a clearing corporation through whom the settlement of all trades will be conducted, irrespective of the exchange where the trade was executed. This brings in more operational flexibility in terms of netting of trades across exchanges, cross utilisation of margin etc.

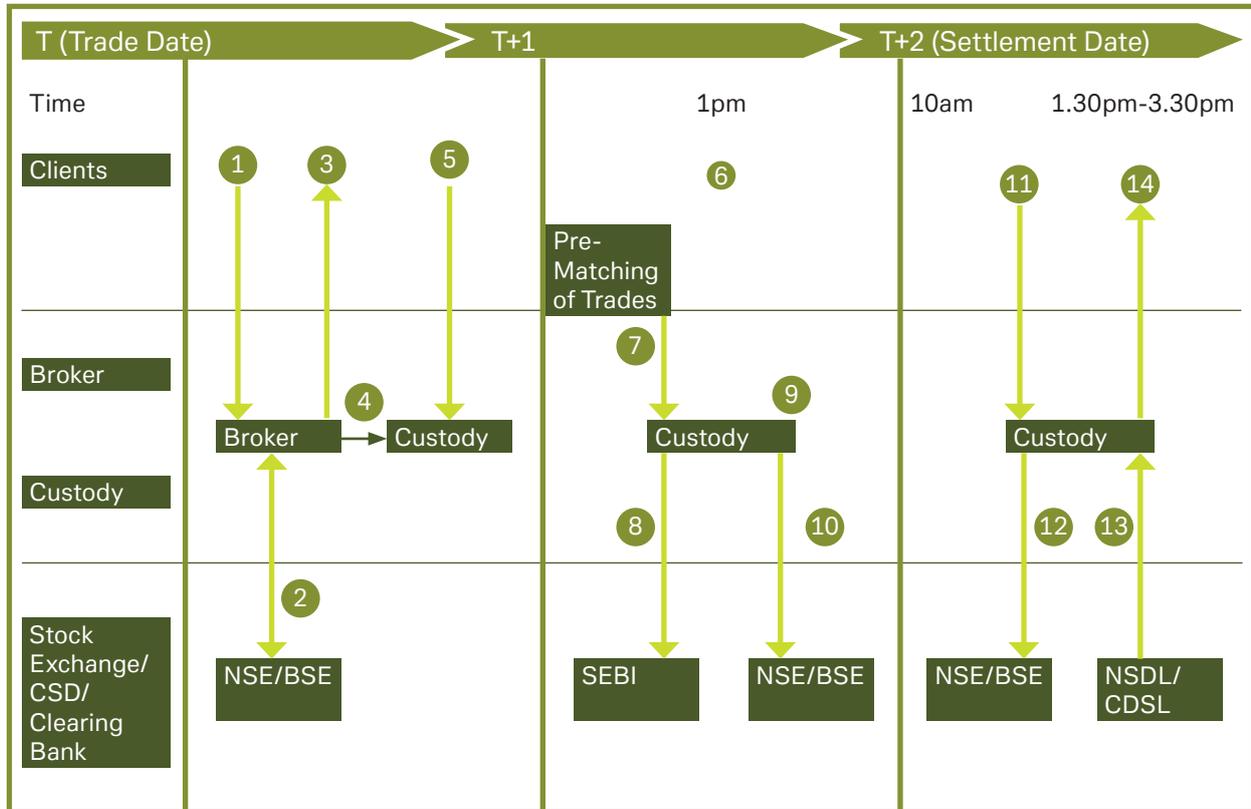
All equity trades executed on the floor of the stock exchange on day T (trade date) flow to the custodian for confirmation on day T or T+1. Custodians are required to confirm the trade to the clearing corporation for settlement latest by T+1 1.00 pm (IST). All confirmed trades will have to be settled by the custodian on T+2.

In case of trades by non-institutional investors which have custodial confirmation, the Custodial confirmation is to be completed on Trade Date. The timeline for the same is as below

- Custodian Confirmation Process time – Between 4.45 pm to 7.30 pm
- Early Pay-in of Funds – 7.45 pm
- Early pay-in of Securities – 9.00 pm

Broad pictorial representation of the Settlement flow is as below;

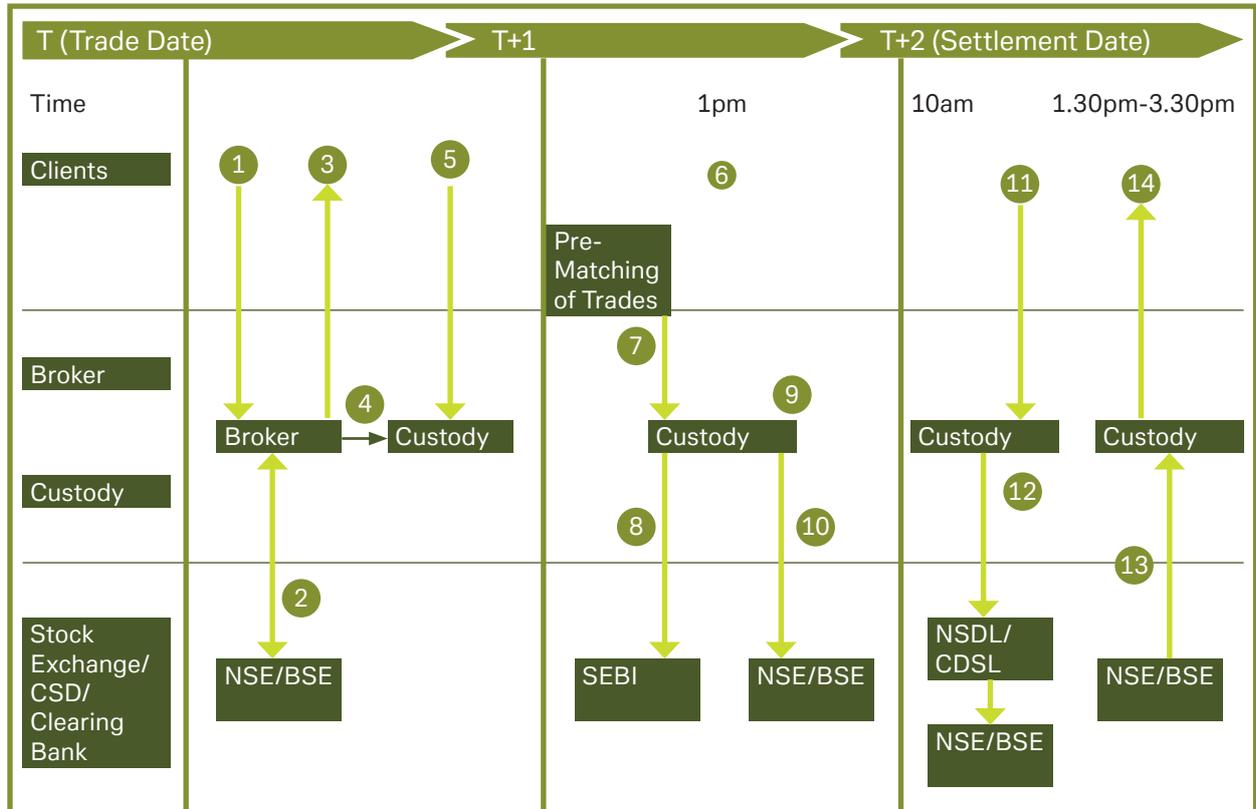
### Settlement Flow - Equity Purchase Trade



#### Legend

1. Client sends trade instruction to broker
2. Trade Executed by broker on the exchange
3. Trade confirmation sent by broker to the client
4. Broker sends Contract Note to custodian via STP gateway on day T
5. Client sends settlement instruction to custodian 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 of transactions to SEBI
9. Clients bank account maintained with custodian debited for margin/ early pay-in proceeds
10. Pay margins/ Early pay-in of funds to the designated clearing corporation through the clearing bank
11. For clients who have opted for margin, Net settlement amount is debited from client's account by T+2, 10 am
12. Payment for settlement value to the exchange through the clearing bank
13. Payout of securities via depositories and credited to the client's security account maintained by the custodian
14. Settlement confirmation to client

### Settlement Flow - Equity Sale Trade



**Legend**

1. Client sends trade instruction to the broker
2. Trade Executed by broker on the exchange
3. Trade confirmation sent by broker to the client
4. Broker sends Contract Note to custodian via STP gateway on day T
5. Client sends settlement instruction to custodian by EOD on day T
6. Client to arrange for margin proceeds/ instruct for early pay-in of securities
7. Pre-matching done and Trade confirmation by 1pm, T+1 by Custody
8. Reporting of transactions to SEBI
9. Clients bank account maintained with custodian debited for margin (unless client has opted for early pay-in of securities)
10. Pay margins/ Early pay-in of securities to the designated clearing corporation
11. For clients who have opted for margins, securities are debited from the client’s account on T+2, by 10 am
12. Pay-in of securities by 10 am to the depositories
13. Payout of funds received via the clearing bank
14. Credit proceeds to the client’s account and send settlement confirmation to the client

## 10.2.1 Margins in cash market

The following margins are being levied on institutional trades on a T+1 basis

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

Transaction Type	Obligation	Payable By	Mode	Payment on
Buy/ Sell	<ul style="list-style-type: none"> <li>— 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.</li> <li>— MTM Margins: as applicable at the end of T+1 day are also payable. MTM margin can be paid by 9:30 am IST on T+2 day.</li> </ul>	Buyer/ Seller as the case may be	Payable in <ul style="list-style-type: none"> <li>— Cash or cash equivalents like bank guarantees, fixed deposits*; or</li> <li>— Approved securities specified by NSCCL or ICCL,</li> <li>— Early pay-in of funds / securities permitted to avoid margin payment.</li> </ul> * Bank guarantees, fixed deposits are not applicable for FPIs.	T+1 for VAR and ELM  T+2 (9.30am) for MTM

- Netting of Margins with settlement proceeds – In cases where margin is paid in cash, then such amount can be adjusted against the Settlement amount, i.e. only balance amount to be paid towards the settlement obligation on T+2.
- Early pay-in - Institutional investors are permitted to make early pay-in of funds and securities to avoid margins on trades. Trades for which early pay-in has been effected, will not be subject to the margins prescribed above.
- Category I and II (except corporate bodies, individuals, and family offices) FPIs are margined on a trade date +1 (T+1) basis in accordance with existing norms
- FPIs in Category II that are corporate bodies, individuals or family offices are margined on an upfront basis (i.e. T+0), i.e. Client will have to pre-fund their account to the extent of applicable margins before taking position in the market on T day.
- Margins for institutional trades are applicable on T+1 day post confirmation by custodian. The custodians shall be required to collect margin and report to Clearing Corporation post confirmation of trades on T+1. No margin is applicable for clients opting for early pay-in of funds/ securities.
- In case of non-institutional custodian trades, the custodian is required to collect margins and report to Clearing Corporation, post confirmation of trades on Trade date itself.
- Non-reporting of margin collection, short collection of margin from client or false reporting would be liable for disciplinary action/ penalty.

## 10.3. Debt Securities

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

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

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

RBI has permitted certain PM Financial Institutions like Banks and PDs to open and maintain Gilt Accounts for their constituents, known as Gilt Account Holders (GAH). Such accounts are termed as CSGL. CSGL accountholders also execute bilateral trades in the Government Securities. Reporting for such trades is done on the NDS OM reporting module through the entities providing the CSGL service.

Deals on the exchanges are

- NSE - Traded under the Negotiated Trade Reporting Platform
- BSE - 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 in the respective stock exchanges. The trading mechanism for trades in the Retail Debt Market (RDM) segment for both the NSE and the BSE is identical to the one used for equity transactions. Trades in government securities executed on Wholesale Debt Market (WDM) segment of NSE and BSE are routed through the clearing corporation of the exchanges.

#### i. RBI as depository

The Public Debt Office (PDO) of the Reserve Bank of India, Mumbai acts as the registry and central depository for the Government securities.

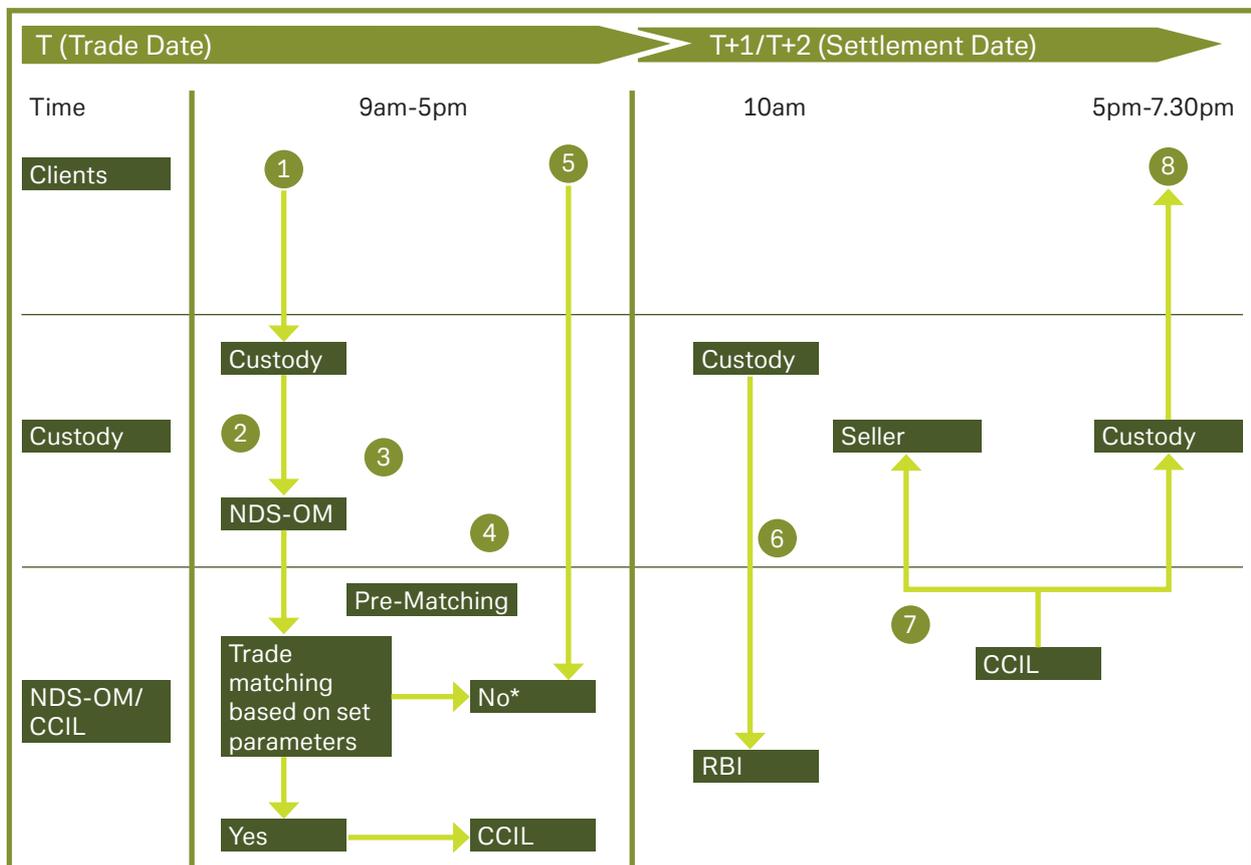
- Demat form: All the RBI regulated entities have to hold and transact in Government securities only in dematerialised (SGL) form. The holders can maintain their securities in dematerialised form in either of the two ways:
  - SGL Account: Reserve Bank of India offers Subsidiary General Ledger Account (SGL) facility to direct members (predominantly Banks, Primary Dealers and large financial institutions) who can maintain their securities in SGL accounts held with the Public Debt Offices of the Reserve Bank of India
  - Gilt Account: As the eligibility to open and maintain an SGL account with the RBI is restricted, an investor has the option of opening a Gilt Account with a bank or a Primary Dealer permitted to open accounts of constituents called Constituents' Subsidiary General Ledger Account (CSGL) with the RBI. Under this arrangement, the Bank or the Primary Dealer, acts as a custodian of the Gilt Account holders. They would maintain the holdings of constituents in a CSGL account (which is also known as SGL II account) with the RBI. The servicing of securities held in the Gilt Accounts is done electronically, facilitating hassle free trading and maintenance of the securities. Receipt of maturity

proceeds and periodic interest is also faster as the proceeds are credited to the current account of the custodian bank / PD with the RBI and the custodian (CSGL account holder) immediately passes on the credit to the Gilt Account Holders (GAH) in their books

**ii. Clearing and Settlement**

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

**Settlement Flow – G-Sec Purchase Transaction**



Legend:

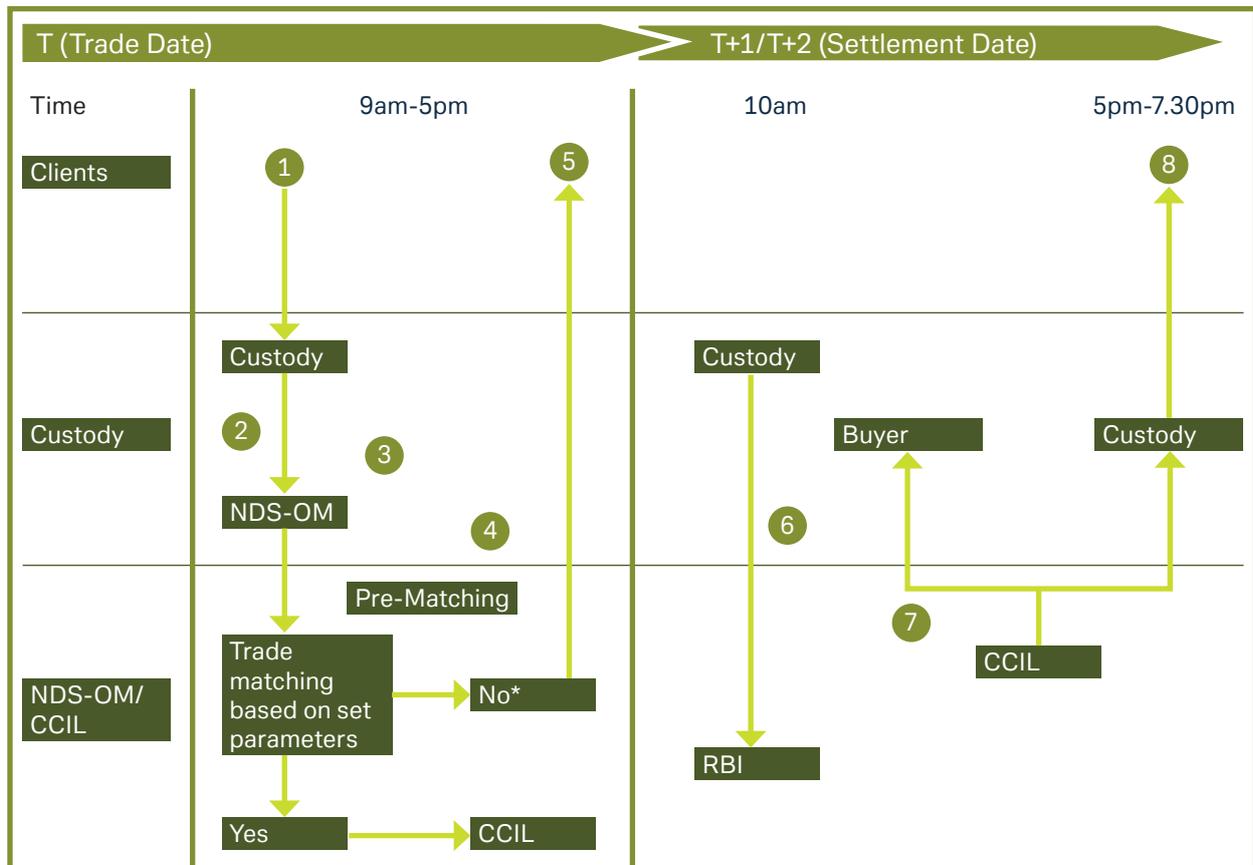
NDS-OM – Negotiated Dealing System Order Matching Platform

CCIL – Clearing Corporation of India, responsible for settling trades on the NDS platform

1. Client sends trade instructions to the custodian
2. Reporting (by buyer and seller) of trades on NDS-OM to be completed within 15 minutes of trade execution

3. Reporting/ confirmation of G-sec purchase trades to be completed by T date before 5pm
  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 on settlement date (T+1 or T+2)
  7. CCIL transfers funds to the seller and securities to the buyers CSGL account held with custodian
  8. Settlement confirmation sent to the client.
- \* Trades remain unmatched in the NDS-OM platform and are cancelled at the end of the day.

### Settlement Flow – G-Sec Sale Transaction



**Legend:**

NDS-OM – Negotiated Dealing System Order Matching Platform

CCIL – Clearing Corporation of India, responsible for settling trades on the NDS platform

1. Client sends trade instructions to the custodian
2. Reporting (by buyer and seller) of trades on NDS-OM to be completed within 15 minutes of trade execution
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

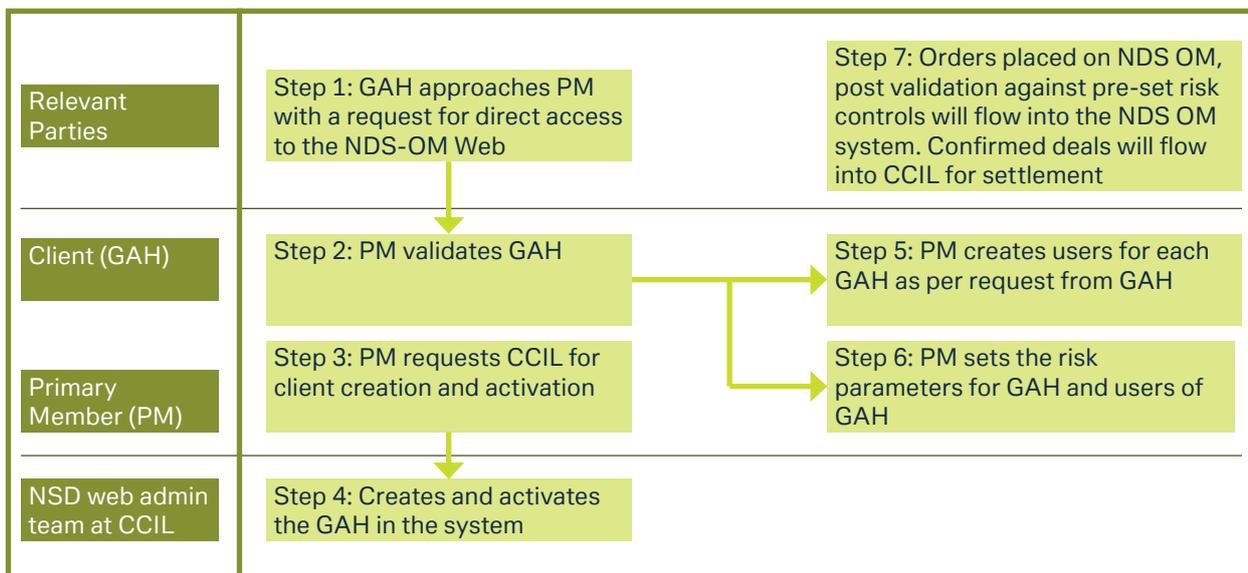
7. CCIL transfers funds to the seller and securities to the buyers CSGL account held with custodian
8. Credit client’s cash account and send a settlement confirmation to the client.  
\* Trades remain unmatched in the NDS-OM platform and are cancelled at the end of the day.

iii. NDS-OM web module

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

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

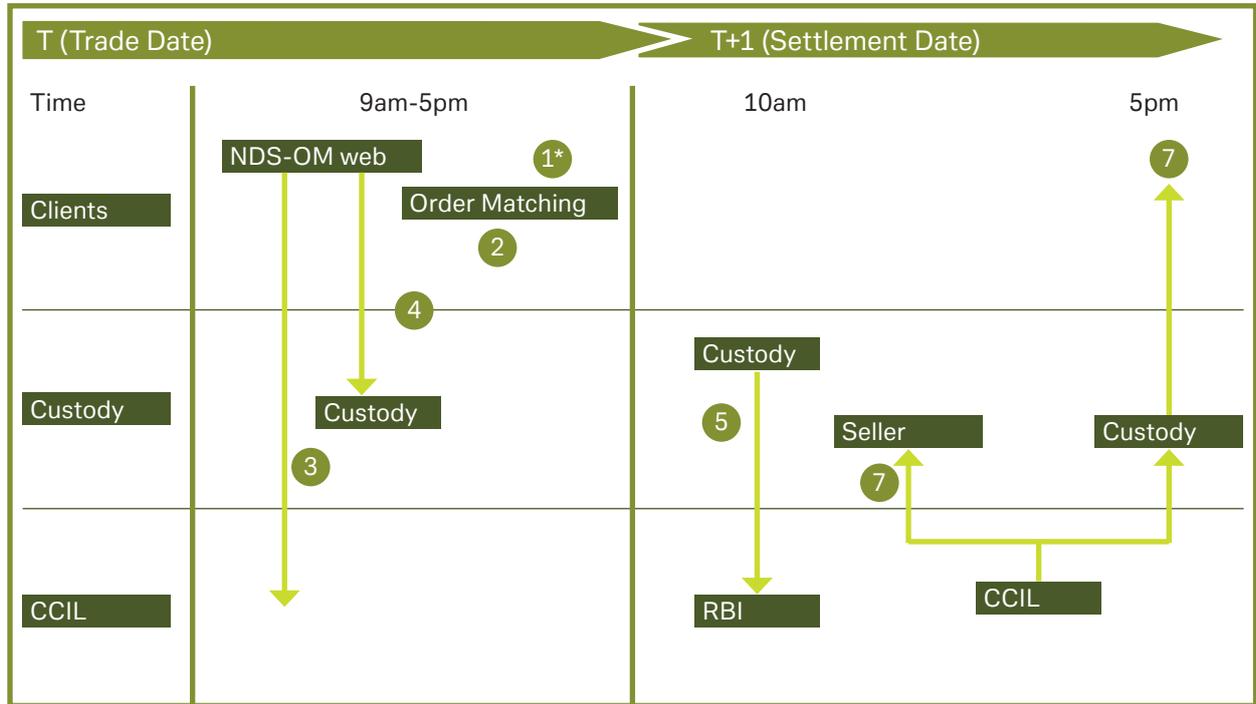
### Steps in Granting NDS-OM web Access to the Client



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

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

### Settlement Flow – G-Sec Purchase executed on NDS OM Web



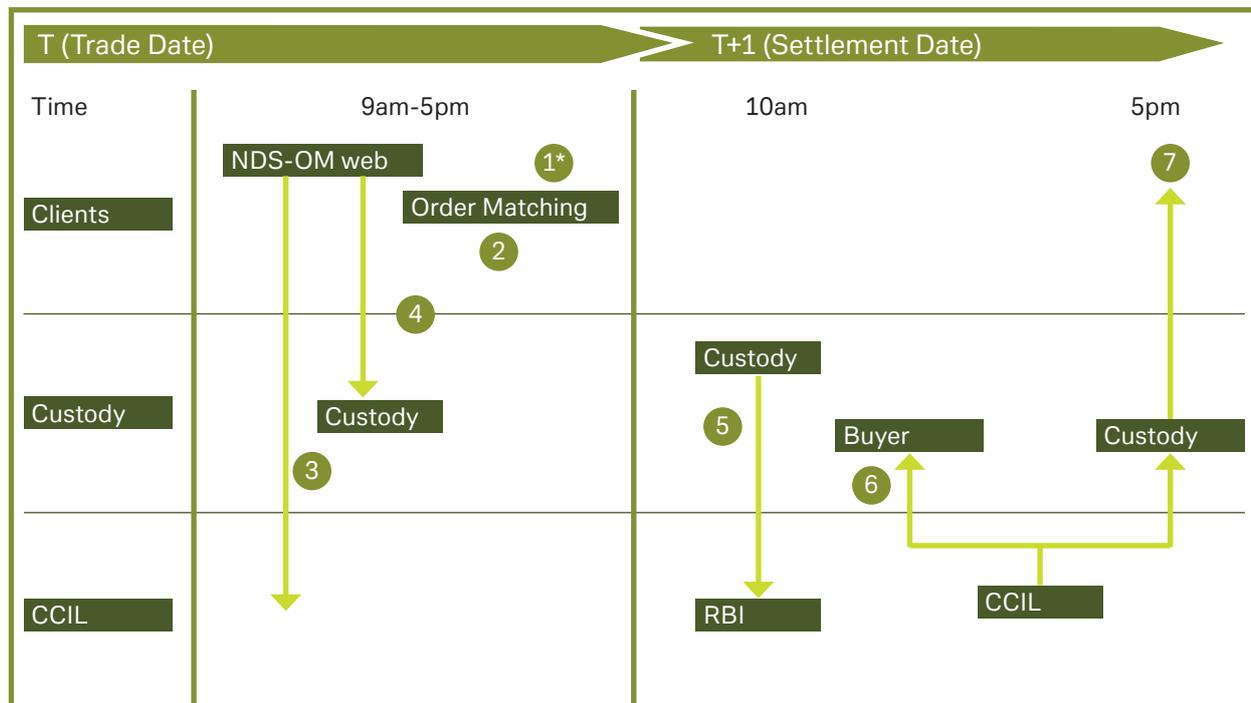
**Legend:**

NDS-OM – Negotiated Dealing System Order Matching Platform

CCIL – Clearing Corporation of India, responsible for settling trades on the NDS platform

1. Client executes the order on NDS OM web
2. Trade Orders are matched by the system on predefined criteria to form matched trades
3. Trades matched on NDS-OM shall be automatically sent by the system to CCIL for settlement
4. Instructions of matched trades are sent to the custodian for settlement
5. In case of a Purchase transaction, debit settlement amount from the client’s account and make payment to RBI by 10am
6. CCIL transfers securities/ funds to the buyer/ seller which are credited to the client’s Cash/ CSGL account held with custodian
7. Settlement confirmation sent to the client.
  - \* Trade orders that remain unmatched in the NDS-OM web platform and are cancelled at the end of the day.

## Settlement Flow – G-Sec Sale executed on NDS OM Web



### Legend:

NDS-OM – Negotiated Dealing System Order Matching Platform

CCIL – Clearing Corporation of India, responsible for settling trades on the NDS platform

1. Client executes the order on NDS OM web
2. Trade Orders are matched by the system on predefined criteria to form matched trades
3. Trades matched on NDS-OM shall be automatically sent by the system to CCIL for settlement
4. Instructions of matched trades are sent to the custodian for settlement
5. In case of a sale transaction, securities are debited from the client's account and delivered to RBI by 10 am
6. CCIL transfers funds to the seller and securities to the buyers Gilt account
7. Settlement confirmation sent to the client
  - \* Trade orders that remain unmatched in the NDS-OM web platform are cancelled at the end of the day.

### Advantages of using NDS-OM web module for the FPI investors:

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

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

### d. Margins in G-Sec market

Risk Management Process for G-sec: During the settlement processes, CCIL, the clearing corporation, 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 by collection of 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. In case of an unusual volatility in the market, CCIL may also collect volatility margin from the members

Members are required to keep balances in Settlement Guarantee Fund (SGF) in such a manner that the same is enough to cover the requirements for both Initial Margin and 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 G-Secs/ T-Bills and cash, with cash being not less than 10% of the total margin requirement at any point of time

## 10.3.2. Investing in Corporate Debt

### 10.3.2.1. OTC Corporate Bond Trades

Trading in corporate bonds, including securitised debt can be executed on recognised stock exchange or in the OTC market. Deals executed on the OTC market needs to be compulsorily reported and settled through the clearing corporation of the Stock Exchange.

Most of the trades in the corporate debt market are executed bilaterally between the parties to the deal. Entities regulated by Securities and Exchange Board of India (SEBI), Reserve Bank of India (RBI) and Insurance Regulatory and Development Authority of India (IRDAI) are required to report their corporate debt trades on the trade reporting platform of the exchanges and settle through the clearing corporation of the exchanges i.e. through the NCL and ICCL – the clearing corporations of the National Stock Exchange and the Bombay Stock Exchange respectively. OTC trades, reported on exchange or settled through the clearing corporation are not guaranteed by the exchange or the clearing corporation and the settlement is on gross basis. 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 have the option to trade directly in the corporate market without availing the services of a broker.

The bond reporting platform offered by NSE is known as CBRICS (Corporate Bond Reporting and Integrated Clearing and Settlement platform). The NSE has introduced Two Factor Authentication (2FA) for users of its bond reporting platform to further enhance security of this application.

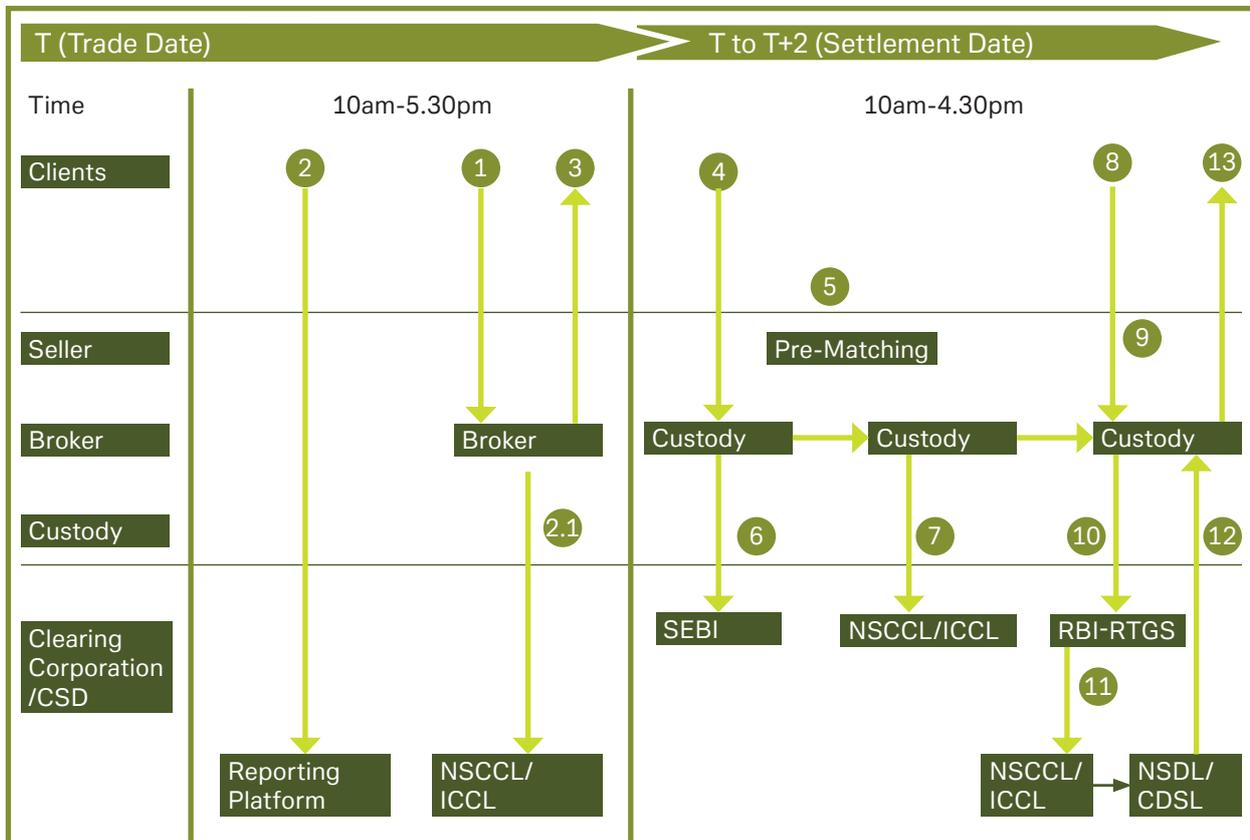
BSE uses the New Debt Reporting and Settlement Platform - Indian Corporate Debt Market (ICDM) as its debt reporting platform. The platform has the settlement functionalities such as deal confirmation, addition of client and settlement related details.

The reporting platforms offer the following facilities:

- Single system for reporting and settlement
- Portfolio creation facility
- Single order entry screen for reporting Corporate Bond, CP and CD, Government Securities
- Reporting and settlement from same order entry window
- Trade history
- Daily market analytical reports

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

### Settlement Flow – Purchase Trade Corporate Bonds



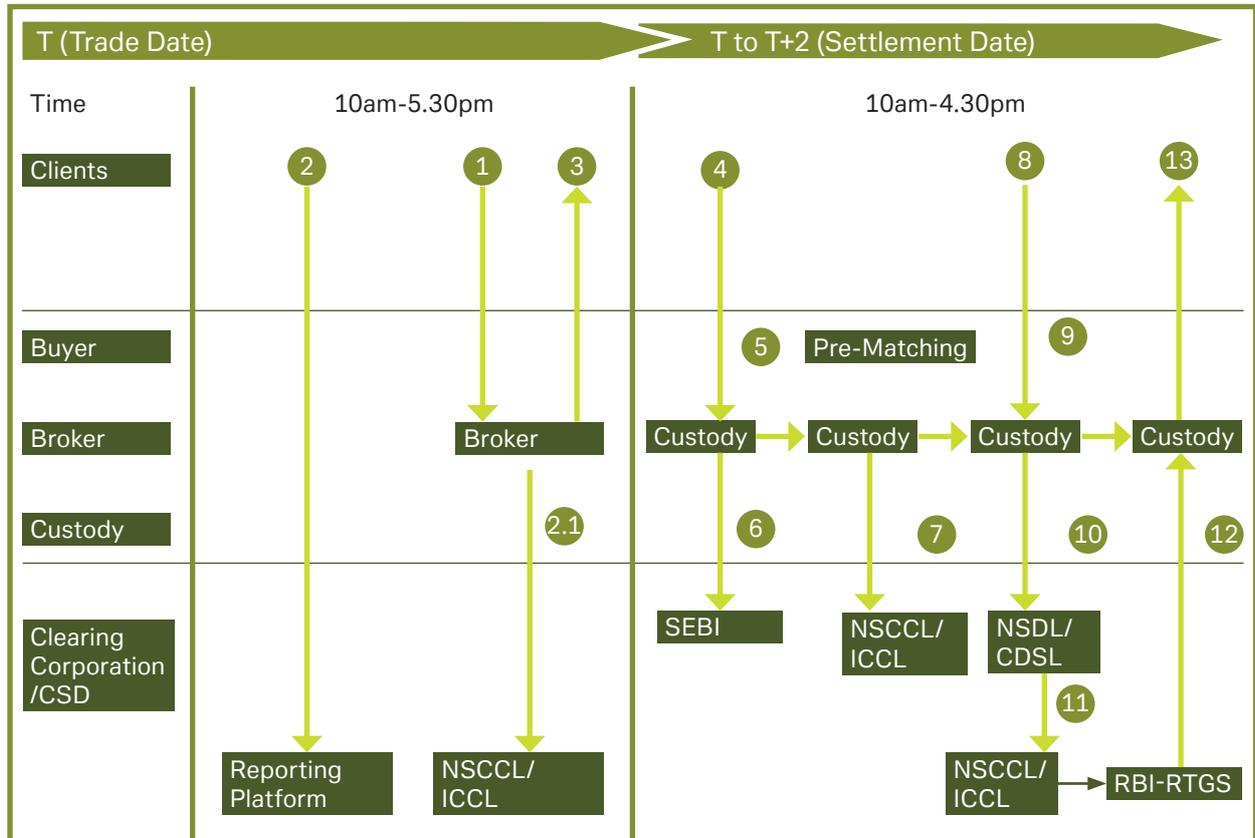
**Legend:**

NCL – NSE Clearing Limited

ICCL – Indian Clearing Corporation Limited

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

## Settlement Flow – Sale Trade Corporate Bonds



## Legend:

NCL – NSE Clearing Limited

ICCL – Indian Clearing Corporation Limited

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

**10.3.2.2. Corporate Bonds executed and settled through Exchange platform**

The corporate bond trades can also be executed on the debt market platform of Stock Exchanges. Trades executed on exchange platform are settled through the designated clearing corporation of the custodian/clearing member. Such trades, which are executed on the exchanges trading platform are guaranteed by the clearing corporation.

- Settlement will be on gross obligation basis, compulsorily done under dematerialised mode and settlement guarantee shall be provided.
- Settlement of trades executed on this Order matching platform follows a T+1 rolling settlement cycle.
- Failure of the seller to deliver securities to result in buy-in auction for the shares by Clearing Corporation as per declared auction schedule
  - Auction shall be conducted on T+1 day and settled on T+2 day
  - The depositories will facilitate transfer of those securities to the respective 'Clearing Corporation Settlement Pool account' by 09:30 am
  - The auction amount will be charged to the short delivering member
- The valuation price for bonds not delivered on the settlement day, would be the closing price of those bonds on T day unless prescribed otherwise from time to time by the relevant authority
- Failure to procure shares in auction or failure of auction seller to deliver shares in part or full on auction pay-in day, to result in close out
  - The financial close out would be at highest price on Trade date (which would be the trade price) with a 1% mark-up on that trade price

### 10.3.3. 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
  - The Initial Margin shall be deducted upfront from the liquid assets of the member (placed towards margin) taking into account gross open positions
- Extreme Loss Margin (ELM): The 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

## 10.4. Derivatives

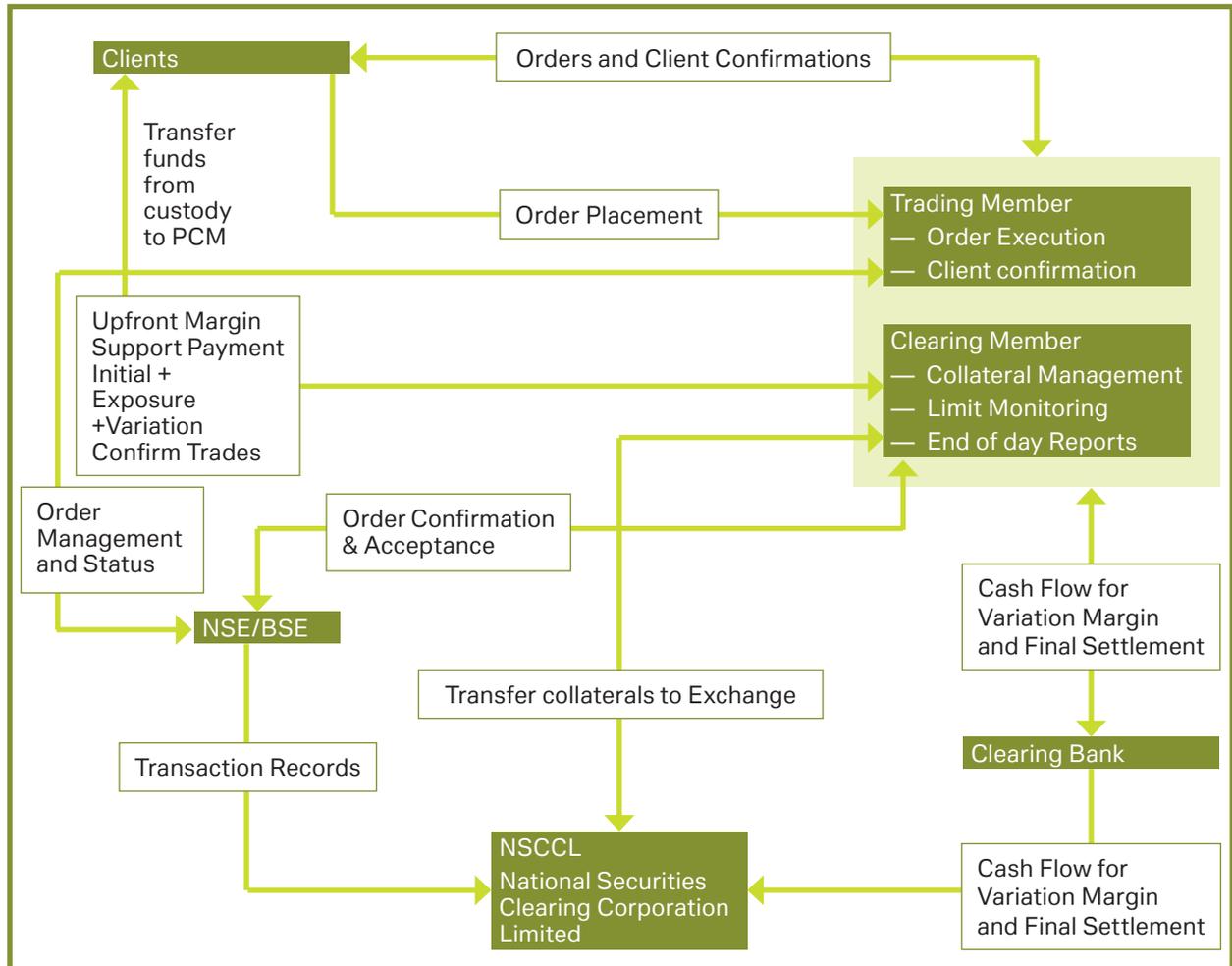
FPIs are allowed to invest in derivatives traded on a recognised stock exchange. Derivatives include Index Futures, Index Options, Stock futures and Options, Interest Rate Derivatives, Currency Derivatives

### 10.4.1. Equity Derivatives

#### i. Clearing and Settlement

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

## Process Flow



### ii. Enhanced Eligibility criteria for Derivatives:

SEBI has introduced eligibility criteria for introduction of stocks into the derivative segment- A stock, on which option and future contracts are to be introduced, should conform to the following broad eligibility criteria, for a continuous period of 6 months, in addition to the extant eligibility criteria. Only those stocks which fulfill this enhanced eligibility criteria are allowed in Derivatives segment. Since December 2018, all new introductions in Derivatives segment are physically settled. Key criteria is as below:

- The stock should be chosen from the top 500 stocks in terms of average daily market capitalisation and average daily traded value in the previous 6 months on a rolling basis
- Median quarter-sigma order size over the last 6 months, on a rolling basis, should be at least INR 2.5 million
- The market wide position limit in the stock should be at least INR 5 billion on a rolling basis
- Average daily delivery value in the cash market should be at least INR 100 million in the previous 6 months on a rolling basis

### iii. Margins in Derivative segment

The Clearing Corporations of the Exchanges have a comprehensive risk containment mechanism for the Futures and Options segment. The most critical component of a risk containment mechanism for the clearing corporations (NSCCL/ ICCL) 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.

For better understanding on the types of margin that are levied by the clearing corporations, given below is the margin details as levied by NSCCL

### 1. 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.

Initial margin includes SPAN Margin, and, Assignment Margin, Premium Margin

### 2. Premium Margin

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

### 3. Assignment 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

### 4. 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

### 5. 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.

#### iv. Physical settlement of Equity Derivatives

Single stock futures and options contract follow physical settlement by way of delivery/ receipt of securities/cash.

##### 1. Settlement Procedure

- The following positions in respect of contracts identified by Exchange shall be physically settled:
    - All open futures positions after close of trading on expiry day
    - All in-the-money contracts which are exercised and assigned
  - The facility of do-not-exercise provided for Close to Money (CTM) option contracts remain applicable in respect of stocks which are identified for physical settlement
  - The quantity to be delivered/ received would be equivalent to the market lot\* number of contracts which result in physical settlement
  - The settlement obligation value shall be computed as under
    - Futures – Settlement obligations shall be computed at futures final settlement price of the respective contract
    - Options – Settlement obligation shall be computed at respective strike prices of the option contracts
  - The final deliverable/ receivable positions at a clearing member shall be arrived after netting the obligations of all clients/ constituent/ trading members clearing through the respective clearing member
  - Physical settlement of securities shall be done only in dematerialised mode through the depositories
  - The physical settlement shall be effected on Expiry+2 days
- The delivery instruction would be completed by 2.00 pm or such cut-off time stipulated by depositories

##### 2. Pay-In and Pay-Out of Securities

Investors can utilise the facility of early pay-in of funds and securities, as well as direct payout of securities to client's beneficiaries account

The pay-in and payout of the securities/ cash will take place through the clients Professional Clearing Member in the Derivatives segment

##### 3. Shortage Handling

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

confirmation is not received from the bank and penal action as prescribed for Funds Settlement would apply

#### 4. Additional Margin applicable for Physical Settlement

Post expiry, positions which are converted to physical settlement, margins as applicable in Cash equity segment (i.e VAR, Extreme Loss Margins, Mark to Market margins) shall be applicable and levied as delivery margins.

- VAR and Extreme Loss Margins: The VAR and Extreme Loss percentage as computed in the Cash equity segment shall be applied on client level settlement obligations
- Mark to Market margins: End of day mark to market margins shall be computed on expiry day and expiry + 1 day as difference between settlement obligation and value of positions at closing price of the security in the Capital Market segment. Mark to market loss in one security shall be netted against profit of other security for same client
- Clearing/trading member are required to collect delivery margin and report the same through the existing client margin reporting mechanism

NSE has notified following risk management framework

- Delivery margins blocked shall be released on completion of settlement
- Delivery margins would be levied, 4 days prior to expiry of derivative contract which has to be settled through delivery, on lower of:
  - Potential deliverable positions, or
  - In-the-money long option positions
- Client level potential 'in-the-money' long option positions would be computed on daily basis
  - 'In-the-Money' options would be identified based on the closing price of the security in the underlying Capital Market segment on the respective day
- The marginable positions to be valued at underlying closing price
- Delivery margins at the client level would be computed as per the margin rate applicable in Capital Market segment of the respective security
- Delivery margins to be levied at client level and collected from clearing member in a staggered manner, as below:
  - 20% of Delivery margins computed on E-4 EOD
  - 40% of Delivery margins computed on E-3 EOD
  - 60% of Delivery margins computed on E-2 EOD
  - 80% of Delivery margins computed on E-1 EOD
- Delivery margins to be recomputed only at EOD basis considering the revised position, underlying prices and margin rates

#### 10.4.2. Interest Rate Futures (IRFs)

Clearing Corporation of the exchanges is the clearing and settlement agency for all deals executed on the Derivatives segment relating to IRFs. They also act as a legal counterparty to the deals and guarantees settlement. The margins levied for this segment under the risk management framework of the exchanges are:

- a. Initial Margin
- b. Calendar Spread Margin
- c. Extreme Loss margin
- d. Any additional margins as decided by the Exchanges from time to time.

Settlement Mechanism - All transactions relating to IRFs will be cash settled in Indian rupees.

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

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

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

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

### 10.4.3. Currency Derivatives

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

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

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

**Final Settlement:** On the expiry of the futures contracts, the clearing corporation marks all positions of a clearing member the final settlement price and the resulting profit / loss is settled in cash.

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

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

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

## 10.5. Securities Lending and Borrowing

Deutsche Bank Securities 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

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

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

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

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

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

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

## Process of return of securities

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

## Shortages and Close out

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

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

Higher of:

25% of closing price of the security on T+1 day, or

(Maximum trade price of the security from T to T+1 day) - (T+1 day closing price of the security)

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

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

Higher of:

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

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



## c. Margin

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

## 10.6. Risk Management at Exchanges

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

### 10.6.1. Margin

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

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

### 10.6.2. Capital Adequacy Requirements

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

### 10.6.3. Core Settlement Guarantee Fund (CSGF)

SEBI has prescribed norms for Core Settlement Guarantee Fund (Core SGF), Default Waterfall and Stress Testing, aimed at enhancing the robustness of the risk management systems of the

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.

These norms are aimed at achieving mainly the following objectives:

- create a core fund (called core settlement guarantee fund), within the SGF, against which no exposure is given and which is readily and unconditionally available to meet settlement obligations of 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, 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

#### I. Contribution to Core SGF:

At any point of time, the contributions of various contributors to Core SGF of any segment shall be reviewed by SEBI from time to time considering the prevailing market conditions. The current contributions 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:
  - total contribution from CMs shall not be more than 25% of the MRC,
  - 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
  - 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
- 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

#### II. Access to Core SGF

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

### III. Default waterfall

The default waterfall of CC for any segment shall generally follow the following order:

- i. Monies of defaulting member (including defaulting member's primary contribution to Core SGF(s) and excess monies of defaulter in other segments)
- ii. Insurance, if any
- iii. CC resources (equal to 5% of the segment MRC)
- iv. 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.
- v. 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\*
- vi. 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
- vii. Capped additional contribution by non-defaulting members of the segment\*\*
- viii. Any remaining loss to be covered by way of pro-rata haircut to payouts\*\*\*

#### Note

\*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 '6' 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.

### 10.6.4. 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.

### 10.6.5. Collateral Deposits

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

### 10.6.6. Graded Surveillance Measure

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

Key highlights of GSM are as follows:

- The list of securities identified under GSM are notified by the exchanges from time to time and made available on their website. The GSM framework shall come into action within a week after publication of this list
- Market participants dealing in such identified securities will have to exercise caution and

diligence as the exchanges and SEBI may place additional restrictions on these securities, such as:

- Placing/ continuing the securities in trade to trade category
- Requiring deposit of additional amount as surveillance deposit, which shall be retained for an extended period
- Permit trading in such securities only once in a week or once in a month
- Freezing upper limit on the trading price
- The measures would be triggered, based on certain criteria and made effective on short notice

Members trading in such securities either on their own account or on behalf of clients would be kept under close scrutiny by the exchange. Any misconduct would be viewed seriously

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

[https://www.bseindia.com/markets/equity/EQReports/graded\\_surveil\\_measure.aspx?expandable=6](https://www.bseindia.com/markets/equity/EQReports/graded_surveil_measure.aspx?expandable=6)

[https://www1.nseindia.com/invest/content/FAQs\\_Graded\\_Surveillance\\_Measure.pdf](https://www1.nseindia.com/invest/content/FAQs_Graded_Surveillance_Measure.pdf)

## 10.7. Legal Entity Identifier Code

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

LEI can be obtained from any of the Local Operating Units (LOUs) accredited by the Global Legal Entity Identifier Foundation (GLEIF). List of LOUs is provided by GLEIF and can be accessed by using the below link

<https://www.gleif.org/en/about-lei/get-an-lei-find-lei-issuing-organizations>

In India, LEI code may be obtained from Legal Entity Identifier India Ltd. (LEIL)

<https://www.ccilindia-lei.co.in>

RBI has been mandating LEI in phased manner since 2017.

All entities regulated by RBI, SEBI, Insurance Regulatory and Development Authority of India (IRDAI), Pension Fund Regulatory and Development Authority (PFRDA) and all corporates participating in OTC market for INR Interest Rate Derivatives, foreign currency derivatives and credit derivatives in India are mandated to have LEI. This was extended to large corporate borrowers, based on exposure to Scheduled Commercial Banks.

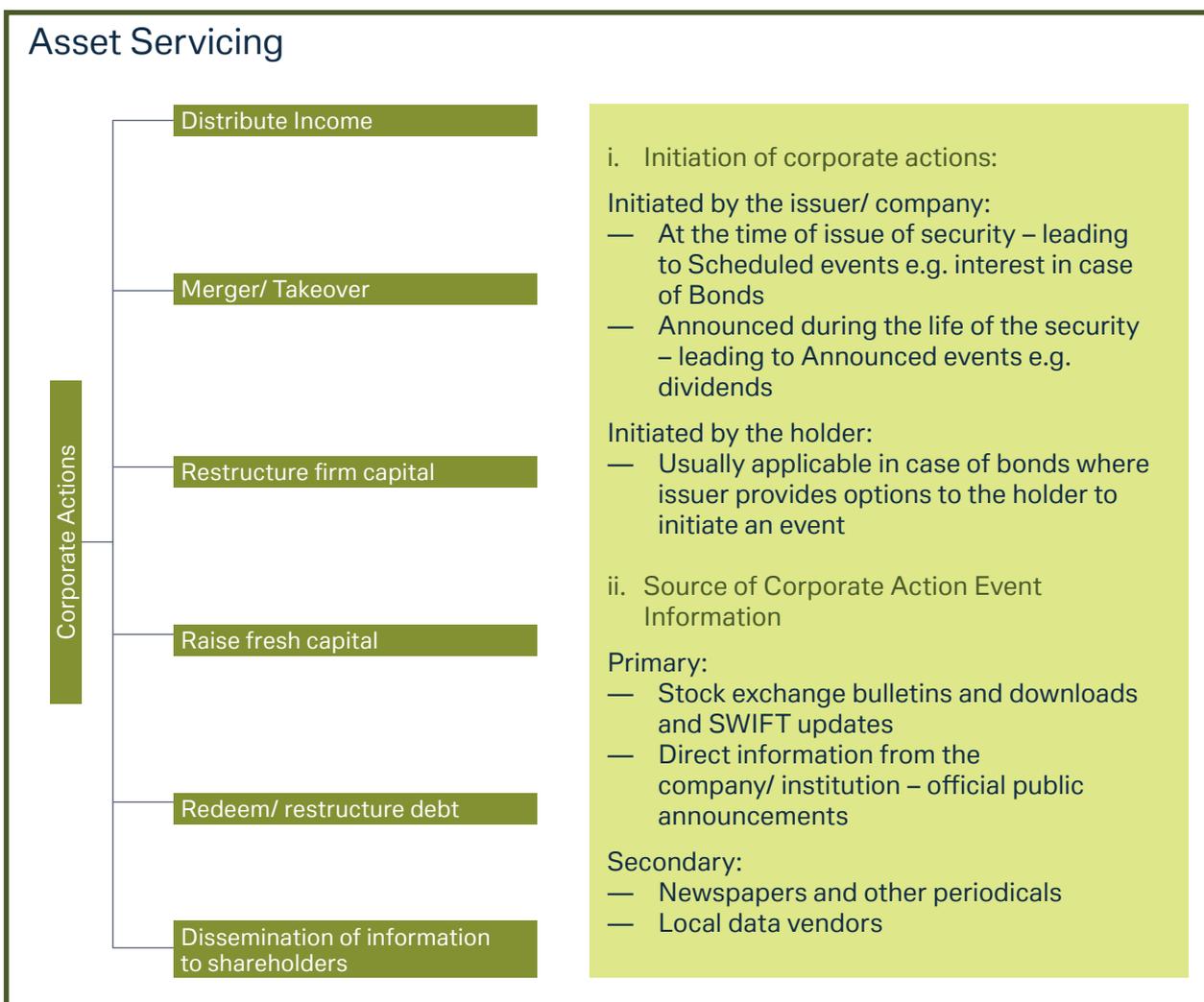
To include more transactions within LEI, RBI has mandated LEI for participation in non-derivatives market. LEI would be applicable to for transactions in following:

- Government securities markets
- Money markets (markets for any instrument with a maturity of 1 year or less)
- Non-derivative forex markets (transactions that settle on or before the spot date)

# 11 Asset Servicing

## 11.1. Overview

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



### 11.1.1. Types of Corporate Actions

The most common types of corporate action are:

- Dividends/ interest on equities/ debentures
- Rights issues
- Bonus issues
- Mergers/ amalgamations
- Stock splits
- Buy-backs and stock conversions

### 11.1.2. Corporate Action Highlights

Corporate Action Highlights	
Peak period	April to September
Key Events	Dividends, Stock Splits, Takeovers, Conversions, Redemptions, Right Issues, Buybacks, Tender Offers, Bonus Issues
Source of Information	Primary Source – BSE Ltd and NSE website, Notices from Company and their registrars/ depository Secondary Source - Daily newspapers, Bloomberg/ Reuters, External local vendors
Entitlement Date	Record Date
Entitlement Computation	On Record Date
Pay Date	There is a concept of pay date but it is not mandatory
Corporate Action Claims	While there is no automatic claiming procedure within the markets, the Agent Bank would contact the respective counterparty to receive corporate action benefits on behalf of the client.

### Important Dates

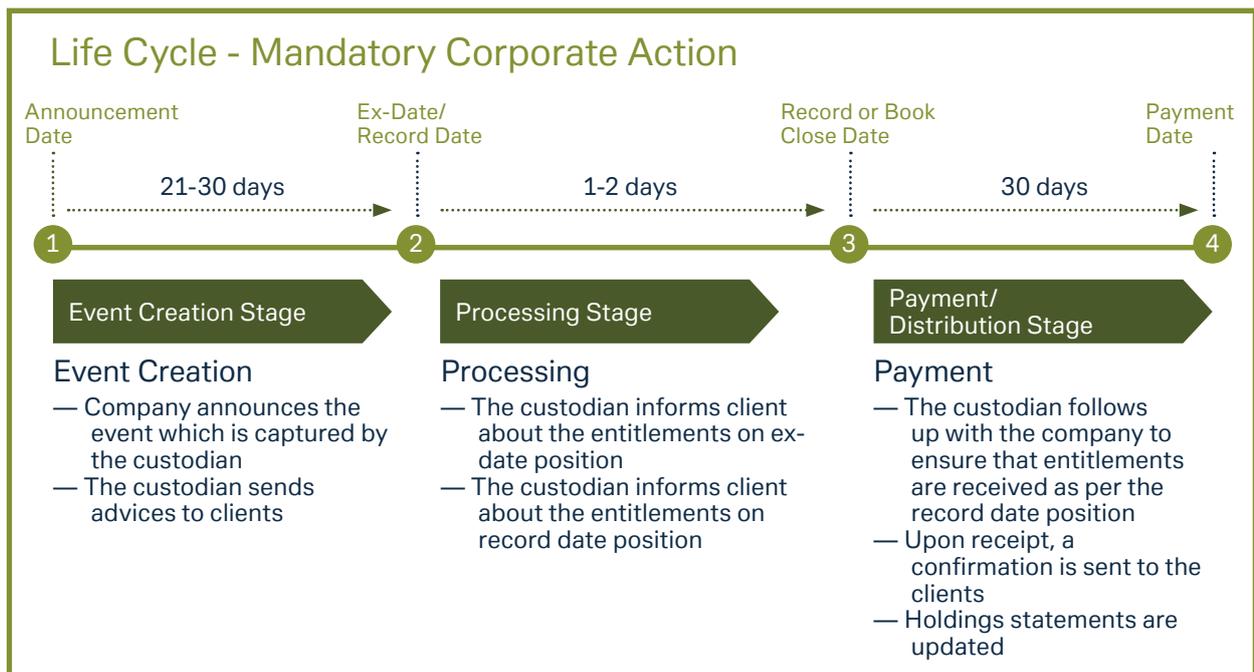
Announcement Date	<ul style="list-style-type: none"> <li>— Company must notify the relevant stock exchanges at least 21 days before the book close/ record date</li> <li>— Companies on whose stocks, derivatives are available or whose stocks form part of an index on which derivatives are available, need to give a notice period of 30 days</li> </ul>
Book close date	— Date on which the company will close its books for the record of its shareholders for disbursement of the entitlement
Record date	— Record date is the cut-off date for determining the number of registered members who are eligible for any corporate action benefits
Ex-date	<ul style="list-style-type: none"> <li>— Date before which, if that particular stock is bought in the market, the buyer is entitled to receive the entitlements (dividend/ bonus)</li> <li>— Such a trade is known as a 'cum dividend/ cum bonus', i.e. the trade is executed inclusive of all the entitlements/ benefits</li> </ul>

Payment date	<ul style="list-style-type: none"> <li>— Payment of benefit is to be made within 30 days from the declaration date or AGM date</li> <li>— Although there is a requirement for declaration of pay date for dividend, companies are yet to adopt the practice of announcing pay date prior to providing benefits</li> </ul>
Period of Offer	<ul style="list-style-type: none"> <li>— Period from the time when an announcement is made of a proposed or possible offer (with or without terms) until the closing date</li> </ul>

## 11.2. Life Cycle - Mandatory Corporate Action:

Mandatory corporate action events are listed herewith

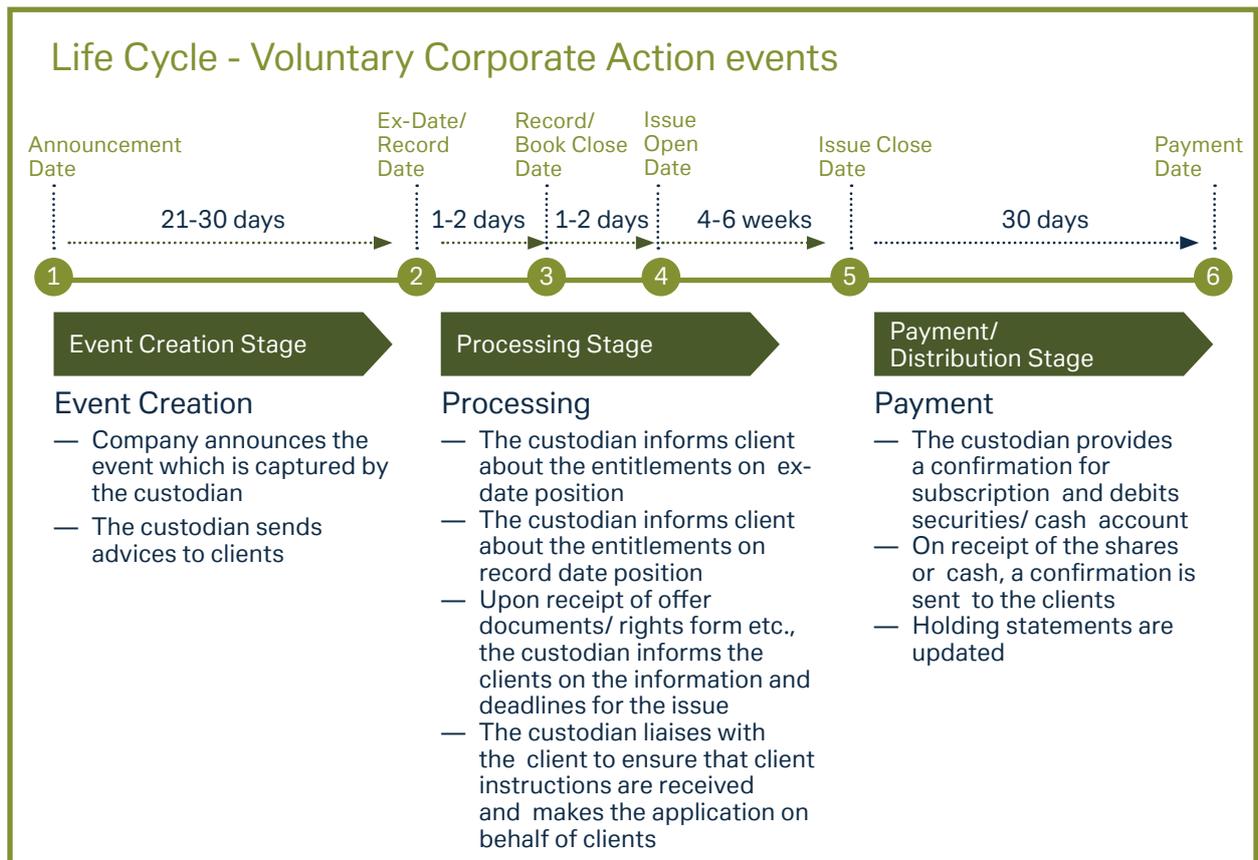
- Merger/ Takeover
- Stock Split/ Sub-Division/ Consolidation
- Bonus Issue
- Dividend
- Interest
- Redemption/ Partial Redemptions



### 11.3. Life Cycle - Voluntary corporate action events

Voluntary corporate action events are

- Call and Put Option
- Rights Issue
- Open Offer
- Buy Back
- AGM/ EGM
- Warrant Exercise
- Call Payment



## 11.4. Voting

Proxy Voting Highlights	
Peak Season - AGM	March to November
Eligible Securities	Equity shares
Notification Source	Primary Source – BSE Ltd and NSE website, Notices from Company and their Registrars Secondary Source - Daily newspapers, Bloomberg/ Reuters, External local vendors
Notice Period	21 days prior to the AGM
Eligibility Date	Record Date
Blocking of Shares	No
Re-Registration	Not Applicable
Voting Method	Multiple - Physical presence at the meeting, postal ballot, electronic voting.
Split Voting	Permitted only in case voting is by poll
Meeting Results	Immediate if voting is held by show of hands. In case of postal ballot/ e-voting, results are made available within 48 hours from meeting date

### Salient Features

- Section 109 of the Companies Act 2013 states that any member of the company entitled to attend and vote at a meeting shall also be entitled to appoint another person as his proxy to attend and vote in his place
- All shareholders registered in books of company as on the record date/ book closure date are eligible to vote
- In case of Proxy, the submission of the proxy form with the issuer is at least 48 hours or 2 working days before the meeting date (96 hours or 4 working days for banks). In case of e-voting, the period of voting ends one day prior to meeting date
- Resolutions at company meetings can be put to vote by a show of hands. Unless the resolution fails, or a poll is demanded, the matter is decided there at and closed
- A proxy cannot exercise voting rights on a show of hands
- In the event of a poll, the proxy can vote (for or against or abstain) based on client instructions
- In a poll it is possible to split decision and have varied instruction for a single account
- In case a vote is cast by way of e-voting or postal ballot, the proxy cannot participate in the vote at the meeting

### 11.4.1. E-Voting

The Companies Act, 2013 has mandated that every listed company and companies having at least 1000 shareholders will provide the facility of voting at general meetings by electronic means.

The key features of e-voting

- The e-voting period will be open for 3 days and close at least 1 day prior to the meeting date

- Shareholders/ members can e-vote directly or provide their requisite instructions to the custodian to submit their e-vote
- Shareholders/ members who do not have access to e-voting facility can communicate their assent or dissent through ballot form
- Wherever the company has opted for e-Voting, the voting by show of hands has been discontinued
- E-Votes once exercised cannot be modified
- If e-voting has been done for a client, proxy cannot take part in the polling at the meeting for the given client
- Members/ shareholders exercising e-Voting, can attend the meeting but cannot vote at the meeting

#### Role of the Scrutiniser:

- Board of directors of the company appoints an external person to scrutinise the e-voting process in a fair and transparent manner
- Scrutiniser, within 3 working days from end date of e-voting, submits a report of votes cast in favour or against to Chairman
- Scrutiniser maintains a register either manually or electronically to record
  - The assent or dissent received
  - Particulars of name, address, folio number or client ID of the shareholders
  - Number of shares held
  - Nominal value of such shares etc.
- The register and all other papers relating to electronic voting remains in the custody of the scrutiniser until the chairman approves
- After chairman signs the minutes, register and other related papers are returned to the company

### 11.4.2. Publication of Outcome of the Meeting

The results declared along with the scrutiniser's report are placed on the website of the company and on the website of the agency within 2 days of passing of the resolution at the relevant general meeting of members

# 12 Banking and Currency Hedging Guidelines

## 12.1. Permissible banking facilities:

The Foreign Exchange Management Act, 1999 (FEMA) allows a FPI to open a single Special Non-Resident Rupee (SNRR) account and a Foreign Currency account with the designated Authorised Dealer (AD) Category-I (Cat-I) Bank, for the purpose of investment under the Portfolio Investment Scheme. Both the SNRR and the Foreign Currency accounts are non-interest bearing accounts. Deutsche Bank as a designated AD bank maintains cash accounts denominated in INR as well as foreign currency accounts. Within the FEMA guidelines issued by RBI, a SEBI registered FPI is permitted to:

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

## 12.2. Currency Hedging

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

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

### I. Facilities permitted for Foreign Portfolio Investors

- To hedge currency risk on the market value of entire investment in India as on a particular date
- To hedge the coupon receipts arising out of investments in debt securities receivable during the following twelve months

- To hedge anticipated exposure in India which is expected in future

## II. Foreign Exchange Derivative Contracts

FPIs are permitted to execute FX derivative contracts with any AD Cat – I banks and Standalone primary dealers as per the following conditions:

- The derivative contract is for the purpose of hedging only
- The notional and tenor of the derivative contract does not exceed the value and tenor of the exposure
- The same exposure should not be hedged against any other derivative contract
- In case the exposure ceases to exist in full or part, then the derivative contract to be adjusted to ensure it does not exceed the value of exposure
- If a hedge becomes naked in part or full owing to reduced market value of the portfolio, for reasons other than sale of securities, the hedge may be allowed to continue to the original maturity, at the discretion of the AD Cat-I Bank
- Forward contracts booked by FPIs can be rolled over on or before maturity or cancelled
- Forward contracts booked by FPIs once cancelled can be rebooked
- The hedges taken with AD banks other than designated AD bank have to be settled through the SNRR account maintained with the designated AD bank through the normal banking channels
- The cost of any 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
- If an FPI wishes to enter into a forward contract for the exposure relating to that part of the securities held by it against which it has issued any PN/ ODI, it must have a mandate from the PN/ ODI holder for the purpose. AD Cat-I Bank is expected to verify such mandates, or in cases where this is rendered difficult, the bank may obtain a declaration from the FPI regarding the nature/ structure of the PN/ ODI establishing the need for a hedge and that this is undertaken against specific mandates obtained from the FPI's end clients.

## III. Currency Derivatives on Exchange

- FPIs are permitted to take long or short positions without having to establish existence of underlying exposure upto a single limit of USD 100 million or equivalent across all currency pairs involving INR, put together and combined across all exchanges
- Short position at all stock exchanges across all contracts in currency pairs involving INR do not exceed USD 100 million
- FPIs taking long position beyond USD 100 million should have an underlying exposure to the extent of the value of the derivative contract
- Specific position limits are set by the exchange across the currency pairs in this segment

## 12.3. Responsibilities of FPI:

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

## 12.4. Monitoring of position:

- The exchange/ 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 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 exchange will intimate custodian of the FPIs of the intraday highest position taken during the day by FPIs, through end of day report

# 13 Tax Aspects

## 13.1. Tax Regime in India for FPIs

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

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

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

Taxes payable by Foreign Investors:

- Withholding Tax
- Capital Gains Tax
- Securities Transaction Tax (STT)

### 13.1.1. Withholding Tax (WHT):

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

#### i. Taxation of Interest:

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

## II. Taxation of dividend:

- Finance Act, 2020 has done away with the extant concept of Dividend Distribution Tax. Dividends are now taxable in hands of dividend recipient. Deduction to be allowed on dividend received by holding company from its subsidiary

### 13.1.2. Capital Gains Tax

#### Taxation of gains on sale of securities:

- Any income arising to FPIs from transactions in securities will be treated as capital gains i.e. the income earned by FPIs arising from transaction in such securities would be taxed as 'Capital Gains'.
  - Income earned on shares held for less than 12 months, is regarded as short-term capital gain
  - Income earned on shares held for more than 12 months is regarded as long-term capital gain

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

### 13.1.3. Securities Transaction Tax

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

Securities Transaction Tax for the F.Y. 2020-21

Transaction	Rates	Payable by
Purchase/ Sale of equity shares (delivery based)	0.1%	Purchaser/ Seller
Purchase of units of equity oriented mutual (delivery based)	Nil	-
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	0.05%	Seller
Sale of an option in securities, where option is exercised	0.125%	Purchaser
Sale of futures in securities	0.01%	Seller
Sale of unit of an equity oriented fund to the mutual fund	0.001%	Seller
Derivative contracts which are subject to physical settlement	0.1%	Purchaser/ Seller
REs traded in dematerialised mode on Exchanges	0.05%	Seller

### 13.1.4. Tax Rates

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

Tax Rates applicable to FPIs investing in India

Assessment Year: 2021-2022

Previous Year: April 01, 2020 till March 31, 2021 (including surcharge and cess as applicable)

## Tax Rates for Corporate FPIs

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

Nature of Income	Non-Corporate FPIs – e.g. trust				
	Net Taxable Income does not exceed INR 5 million	Net Taxable Income exceed INR 5 million but does not exceed INR 10 million	Net taxable income exceed INR 10 million but does not exceed INR 20 million	Net taxable income exceed INR 20 million but does not exceed INR 50 Million	Net taxable Income exceeds INR 50 million
Dividends	20.8%	22.88%	23.92%	23.92%	23.92%
Interest u/s 194 LD*	5.2%	5.72%	5.98%	6.5%	7.124%
Interest other than u/s 194 LD*	20.8%	22.88%	23.92%	26.00%	28.496%
Capital Gains on Equity shares and Equity oriented MFs where STT is applied					
Short-term capital gains	15.60%	17.16%	17.94%	17.94%	17.94%
Long-term capital gains (Ref Note 2)	10.40%	11.44%	11.96%	11.96%	11.96%
Capital Gains on Securities where STT is NOT applied					
Short-term capital gains	31.2%	34.32%	35.88%	35.88%	35.88%
Long-term capital gains	10.4%	11.44%	11.96%	11.96%	11.96%

\*Section 194 LD of Income Tax Act, 1961

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

Note 1: FPIs/ Institutional Investors are required to discharge their income tax liabilities in

line with the applicable laws in India. Clients are requested to seek the opinion of their tax consultants on all tax related matters.

Note 2: Exemption of tax on Long Term Capital Gains (LTCG) arising from transfer of shares is available, if:

- LTCG from transfer of equity shares does not exceed INR 100,000 in a year
- STT was paid at the time of acquisition and transfer of those shares

Tax is payable on LTCG above INR 100,000 without indexation

### 13.1.5. Advance Tax

Investors who do not have any repatriation of their funds within the financial year, the tax liabilities on capital gains have to be discharged in the form of advance tax payable in 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.

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

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

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

## 13.2. Double Taxation Avoidance

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

DTAA entered into, by Government of India can be accessed at <http://www.incometaxindia.gov.in/Pages/international-taxation/dtaa.aspx>

### 13.3. Minimum Alternate Tax (MAT)

Capital gains from sale of securities as well as interest income, royalties, fees on technical services earned by foreign companies will be exempt from MAT, if the normal tax rate on such income is lower than 18.5%. MAT provisions are not applicable to FPIs who do not have Permanent Establishment (PE)/ place of business in India

### 13.4. General Anti Avoidance Rule (GAAR)

The General Anti Avoidance Rule (GAAR) will apply prospectively to transfer of investments made on or after 01.04.2017, or on any tax benefits availed on or after 01.04.2017, irrespective of date of arrangement, when GAAR is implemented.

The Central Board of Direct Taxes (CBDT) has issued a set of FAQs to clarify implementation of GAAR. The FAQs can be accessed using the below link:

[http://www.incometaxindia.gov.in/communications/circular/circular7\\_2017.pdf](http://www.incometaxindia.gov.in/communications/circular/circular7_2017.pdf)

### 13.5. Stamp Duty

Indian Stamp (Collection of Stamp Duty through Stock Exchanges, Clearing Corporations and Depositories) Rules, 2019 (Stamp Duty Collection Rules), went effective from July 01, 2020, requires Stock Exchanges/ Clearing Corporations and Depositories to collect Stamp Duty on securities transactions and to further pay to respective state governments. Clearing Corporation of India Limited (CCIL), and Registrar to an Issue and Share Transfer Agents (RTAs) have been designated to be depositories for this purpose to act as collection agent.

Below is table summarising key points for Stamp Duty

Collected by	From	Charging Event	Value for Stamp Duty	Points to Note
Stock Exchange or Clearing Corporation	Buyer	Securities sold through stock exchange, including: <ul style="list-style-type: none"> <li>— Listed units of any registered pooled arrangements or scheme, or tripartite repo</li> </ul> Note: Stock Exchange or CCP to intimate relevant depository in case of securities held in demat form	<ul style="list-style-type: none"> <li>— The sale consideration reported to a stock exchange</li> <li>— In case of option instrument: the buyer of the option contract has to clearly identify premium payable by him on each constituent transaction and report it to the collecting agent</li> </ul>	Stock Exchange or CCP to intimate relevant depository in case of securities held in demat form Options include instruments with zero or near zero premium
	Offeror	Tender offer, open offer or offer for sale or private placements executed through stock exchange, once offer is successfully completed	Market value of the security being acquired or sold out, at the offer price	

Collected by	From	Charging Event	Value for Stamp Duty	Points to Note
Depositories	Transferor	Before execution of all off-market transfers involving transfer of securities in the depository system, including OTC trades	<ul style="list-style-type: none"> <li>— Consideration amount specified in the delivery instruction slip and the consideration as reported to the Depository</li> <li>— If the consideration is paid in part or in instalments, stamp-duty shall be collected by the depository on the entire sale consideration when a transfer is effected</li> </ul>	<p>Depository to intimate the stock exchange or CCP about transfers which have to be reported to the stock exchange or CCP, on which stamp-duty has already been collected by it. Stock Exchange/ CCP shall not collect Stamp Duty on such transfers</p> <p>If the consideration is paid in part or in instalments, stamp-duty shall be collected by the depository on the entire sale consideration when a transfer is effected</p>
	Pledgee	Transfer of securities pursuant to invocation of pledge	Market value of the securities	Exclusion: Corporate actions such as stock split, stock consolidation, mergers and acquisitions, or similar corporate actions which does not result in change of beneficial owner
	Issuer	On creation of new security and change in records in the depository upon issue of securities, before executing any transaction in depository system. Includes: <ul style="list-style-type: none"> <li>— Fresh issue to investor as part of corporate action</li> </ul>		
	Offeror	Tender offer or open offer or offer for sale or private placement conducted through a depository, once offer is successfully completed	On the market value of the security being acquired or sold out	

### Collection of stamp-duty by stock exchange or clearing corporation: On market Transactions

Type of Security	Segment	Stamp Duty Rate	Payable By
Transfer of Securities other than Debentures – Delivery basis	Equity Segment	1.5 bps	Buyer
Transfer of Debentures	Equity and Debt segment	0.01 bps	Buyer
Tri-party Repo on Corporate Bonds	Debt Segment	0.001 bps*	Borrower (Buyer of forward leg)
Transfer of Corporate Bonds, Securitised Debt, Commercial Papers and Certificate of Deposits	Reporting platform# (CBRICS/ ICDM)	0.01 bps **	Buyer
Repo Transaction	CBRICS/ ICDM platform	0.001 bps *	Borrower (Buyer of forward leg)

\*Stamp duty will be levied on the Interest paid by the borrower on reverse leg of repo transaction.

\*\* Stamp Duty will be levied on Consideration amount. (Including accrued interest)

- Stamp Duty is not applicable on transactions in Securities Lending and Borrowing Scheme (SLBS), except in case of shortages in reverse leg, where stamp duty will be payable by short delivering member
- There will be no stamp duty levied on Government Securities transactions
- The stamp duty will be specified in the “brokerage” field and will be part of the broker contract note for the buy transaction. The funds will be remitted to the broker on the settlement date for further payment to the clearing corporation.

### Collection of stamp-duty by depositories from transferor - Off-market transfers:

Type of Security	Stamp Duty Rate	Payable By
Transfer of Debenture	0.01 bps	Seller/ transferor/ pledgee
Transfer of Securities other than Debentures – Delivery	1.5 bps	Seller/ transferor/ pledgee

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

## Collection of stamp-duty: Primary Market issuances

Type of Security	Segment	Stamp Duty Rate	Payable By
Tender-Offer (Takeovers, Buy Back, Delisting of Securities)	Equity Segment	1.5 bps	Offeror (Seller)
Offer for Sale	Equity Segment	1.5 bps	Offeror (Seller)
Issue of debenture	Electronic Book Provider (EBP)	0.5 bps	Issuer

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

### 13.6.1. FATCA

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

### 13.6.2. CRS

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

The Securities and Exchange Board of India (SEBI) has instructed Designated Depository Participants to carry out due diligence, including Self-Certification for FPIs before granting SEBI FPI registration.

### 13.6.3. Reporting Requirements for a Reporting Financial Institution (RFI)

As per rule 114G (9) of Income Tax Act, the statement in respect of each reportable account needs to be digitally signed and filed by the RFIs in accordance with the data structure specified by the Principal Director General of Income Tax (Systems). The RFIs are required to submit the Form 61B or NIL statement under ‘e-File’ menu.

## 13.7. Goods and Services Tax

The Goods and Services Tax (GST) regime came into effect from July 01, 2017 onwards, replacing the Excise Duty, Service Tax and Sales Tax, among various other indirect taxes. The GST consists of Central Goods and Services Tax (CGST), State Goods and Services Tax (SGST), Integrated Goods and Services Tax (IGST) and Union Territory Goods and Services Tax (UTGST). This is necessitated by the federal structure of governance in India which requires all the intra state supply of goods or services to be charged CGST for Central government and SGST for state government. Any inter-state supply of goods or services is chargeable to IGST.

A set of FAQs, which provide information on the GST Bill provisions and its economic benefits, has been published by the Government and can be accessed using the below link:

<http://pib.nic.in/newsite/PrintRelease.aspx?relid=148240>

## 13.8. Onshoring Fund Management to India

The provision of business connection in India, in Income Tax Act, to determine tax residency, required FPIs to carry out fund management activity from outside India. This was due to apprehension that presence of Fund Manager in India would make the FPI tax resident in India. To enable on-shoring of Fund management to India, the Finance Act 2015, inserted section 9A to Income Tax Act. This encapsulates safe harbour provisions. The fund management activity carried on through an 'Eligible Fund Manager (EFM)' located in India, for an 'Eligible Investment Fund (EIF)' would not constitute business connection India and therefore not lead to tax residence in India. These benefits are available, subject to compliance of certain conditions.

Of the prescribed conditions, Category IFPIs would be exempted from the below requirements prescribed under section 9A of Income Tax Act, 1961, to qualify as EIF:

- The fund has a minimum of 25 members who are, directly or indirectly, not connected persons
- Any member of the fund along with connected persons shall not have any participation interest, directly or indirectly, in the fund exceeding 10%
- The aggregate participation interest, directly or indirectly, of 10 or less members along with their connected persons in the fund, shall be less than 50%
- Sub-section 3(b) of Section 9A of the Income-tax Act, requires that the fund is a resident of a country or a specified territory with which an agreement has been entered into or notified by the Central Government. The list of such countries/ territories, whose resident funds would be able to qualify as EIF can be accessed using the below link:

<http://www.egazette.nic.in/WriteReadData/2017/177815.pdf>

The EIF is required to pay minimum fee calculated in manner prescribed below, to EFM, to be eligible for benefits under safe harbour rules. A lower remuneration than as prescribed below, is permitted, provided the same has been approved by CBDT on application of the EIF

Fund Type	Minimum amount of remuneration	
Following sub-types of Category-I FPIs:	<ul style="list-style-type: none"> <li>— Government and Government related investors such as central banks, sovereign wealth funds, international or multilateral organisations or agencies including entities controlled or at least 75% directly or indirectly owned by such Government and Government related investor</li> <li>— Pension funds and university funds</li> <li>— Appropriately regulated entities such as insurance or reinsurance entities, banks, asset management companies, investment managers, investment advisors, portfolio managers, broker dealers and swap dealers</li> <li>— University related endowments of such universities that have been in existence for more than 5 years, from the Financial Action Task Force (FATF) member countries or from any other country specified by the Central Government</li> </ul>	0.10% Asset under Management (AUM)
For other EIFs		<ul style="list-style-type: none"> <li>— 0.30% of AUM, or</li> <li>— If remuneration is linked to income or profit: 10% of profits derived by the fund in excess of the specified hurdle rate, or</li> <li>— In case the fund pays fund management fees to any other fund manager: 50% management fee, whether in the nature of fixed charge or linked to the income or profits paid to the fund manager, as reduced by operational expenses including distribution expenses</li> </ul>

## 13.9. Taxation for indirect transfer

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

- The Provisions would be applicable upon breach of stated threshold to, subject to exemption provided for small investors:
  - Master feeder fund structures
  - Nominee-distributor fund structures
  - India focused sub-fund and listed funds
- Other provisions in the income-tax law such as withholding obligation on the payer apply as per law
- The provisions apply to investors at the time of merger of offshore funds and internal restructuring of such funds.
- The threshold of INR 100 million has been deemed to be reasonable and there would not be any need to increase the same to INR 1 billion
- The application of provisions is subject to exemptions provided in the Income Tax Act.

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

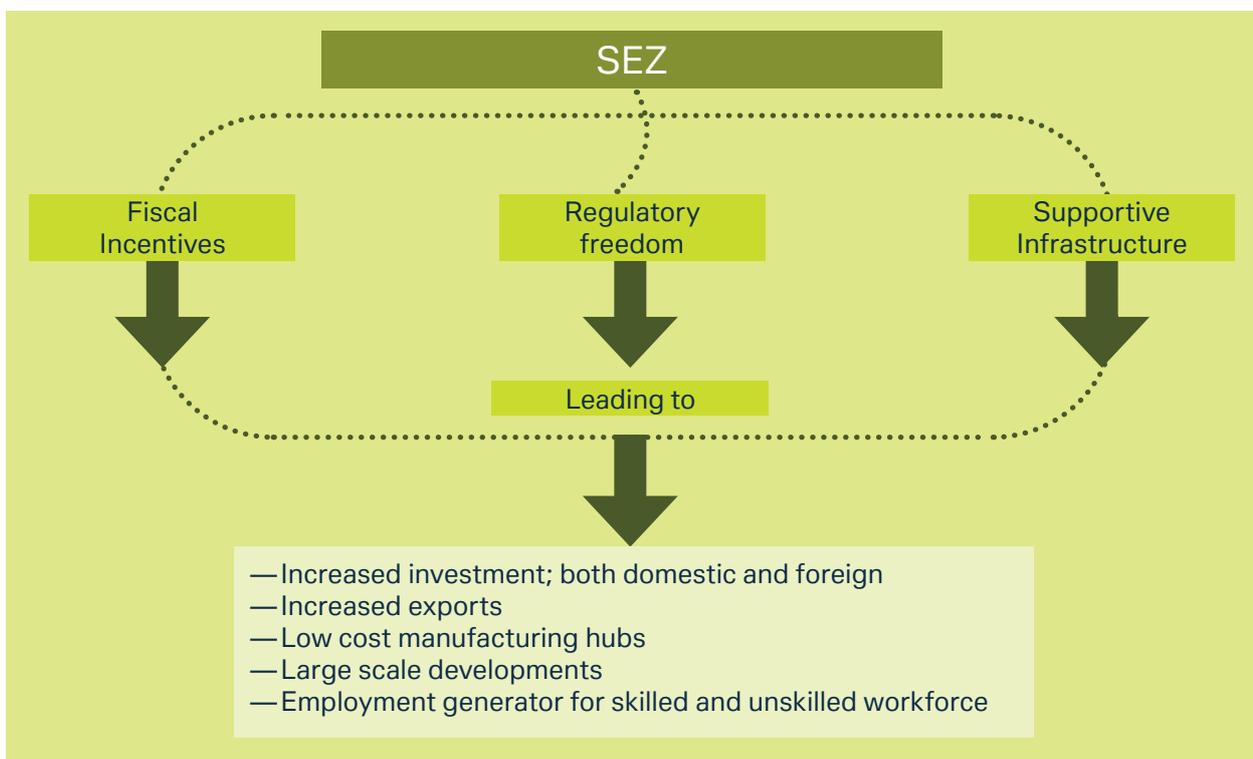
# 14 Gujarat International Finance Tec-City (GIFT)

## 14.1. Background

GIFT is developed as a global financial and IT Services hub, a first of its kind in India, designed to be at or above par with globally benchmarked financial centres. The purpose of setting up the GIFT City is to develop a world class smart city that becomes a global financial hub with the development of an IFSC. GIFT City is central business hub with state-of-the-art infrastructure and a first of its kind development in India.

To develop and implement the Project, the Government of Gujarat through its undertaking Gujarat Urban Development Company Limited (GUDCL) and Infrastructure Leasing & Financial Services Limited (IL&FS) have established a 50:50 Joint Venture Company, 'Gujarat International Finance Tec-City Company Limited' (GIFTCL)

### Business Structure at IFSC



Source: [www.giftgujarat.in](http://www.giftgujarat.in)

## 14.2. GIFT's Positioning

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

It is estimated that GIFT would provide 500,000 direct and an equal number of indirect jobs which would require 5.76 million square meter of real estate office and residential space

## 14.3. International Financial Services Centre (IFSC)

An IFSC is a jurisdiction that provides financial services to non-residents and residents, to the extent permissible under the current regulations, in any currency except Indian Rupee.

The IFSC in GIFT seeks to bring to the Indian shores, those business segments that are currently carried on outside India by overseas financial institutions and overseas branches/ subsidiaries of Indian financial institutions to a center which has been designated for all practical purposes as a location having the same eco system as their present offshore location, which is physically on Indian soil.

## 14.4. Benefits of setting up operations in GIFT-IFSC

The IFSC in GIFT will provide numerous benefits to the entities setting up operations there. Some of them are mentioned below:

- State-of-the-art infrastructure at par with other global financial centres
- Liberal tax regime for 10 years
- Strong regulatory and legal environment
- A wholly transparent operating environment, complying with global best practices and internationally accepted laws and regulatory processes
- Pool of skilled professionals
- A modern transport, communications and internet infrastructure
- Only place in India which allows offshore transactions

## 14.5. Regulations that govern IFSC

The regulatory framework for facilitating and regulating financial services relating to securities market in an IFSC will be governed by the below regulations/ guidelines and Acts.

- SEBI - IFSC Guidelines, 2015
- Insurance Regulatory and Development Authority of India (International Financial Services Centre) Regulations, 2015
- RBI - Foreign Exchange Management (International Financial Services Centre) Regulations, 2015
- Special Economic Zones Act, 2005

## 14.6. Regulatory Authority

The Government of India has set up a unified regulating Authority for financial services within GIFT, to provide 'a coherent and integrated regulatory framework to fully develop and to compete with other offshore financial centres.'

The IFSC Authority would consist of a Chairperson, members nominated by RBI, SEBI, IRDAI, and Pension Fund Regulatory and Development Authority (PFRDA) amongst others.

## 14.7. Products/ Permissible securities in IFSC

The stock exchanges operating in IFSC deal in following types of securities and products. The products/ securities are traded in foreign currency:

- Equity shares of a company incorporated outside India
- Depository receipt(s)
- Debt securities issued by eligible issuers and are listed in IFSC
  - Debt securities which are issued outside India are permitted to be listed on the stock exchanges in IFSC, provided such debt securities are issued in and by residents of those jurisdiction which are member of Financial Action Task Force (FATF)
  - Over-The-Counter (OTC) trading of debt securities in IFSC is permitted
- Currency and interest rate derivatives
  - Exchange Traded Rupee Derivatives (Settled in foreign currency)
- Index based derivatives
- Commodity Derivatives (FPIs are permitted to deal only in contracts of non-agriculture commodities)
- Derivatives on equity shares of a company incorporated in India
- Such other securities as may be specified by SEBI

## 14.8. Who can open units in GIFT IFSC

- Entities permitted to open an IFSC unit:

### 14.8.1. Banking Sector – Regulated by Reserve Bank of India (RBI)

- Indian banks (viz. banks in the public sector and the private sector authorised to deal in foreign exchange)
- Foreign banks already having presence in India subject to necessary regulatory approval from their home regulator

### 14.8.2. Insurance Sector – Regulated by Insurance Regulatory and Development Authority of India (IRDAI)

- Indian - Insurer/ Reinsurer
- Foreign - Insurer/ Reinsurer

The entity need to seek registration from IRDAI as International Financial Service Centre Insurance Office (IIO), a branch office of applicant, to transact in direct insurance or re-insurance business.

- IIO may be permitted to transact direct Life insurance business or Direct General insurance business but not both or Reinsurance Business. However, the IIO may be allowed to transact health insurance business as provided under extant Health Insurance Regulations notified by IRDAI

### 14.8.3. Capital Market - Regulated by Securities & Exchange Board of India (SEBI)

- Stock Exchanges/ Commodity Exchanges
- Clearing Corporation
- Depository
- Broker
- Investment Adviser
- Portfolio Manager
- Alternate Investment Fund
- Mutual Fund

#### 14.8.4. Foreign Investors

Eligible Foreign Investors (EFI) and FPIs are permitted to operate in IFSC:

- SEBI registered FPIs, seeking to operate in IFSC, can do so without undergoing any additional documentation or prior approval process
- In case of participation of FPIs in IFSC, a trading member of the recognised stock exchange in IFSC, may rely upon the due diligence process already carried out by a SEBI registered intermediary during the course of registration and account opening process in India
- In case of participation of an EFI, not registered as an FPI, a trading member of the recognised stock exchange in IFSC, may rely upon the due diligence carried out by a bank, which is permitted by RBI to operate in IFSC, during the account opening process of the EFI
- FPIs, presently operating in Indian securities market and seeking to operate in IFSC, are required to ensure clear segregation of funds and securities. FPIs to keep their respective custodians informed about their participation in IFSC and Custodians to monitor compliance of this provision for their respective FPI clients
- The participation would be limited to the derivatives contracts in non-agricultural commodities
- Contracts to be cash settled on the settlement price determined on overseas exchanges
- All the transactions to be denominated in foreign currency

#### 14.8.5. A portfolio manager, AIF or mutual fund operating in IFSC shall be permitted to invest in the following:

- Securities which are listed in IFSC
- Securities issued by companies incorporated in IFSC  
Securities issued by companies incorporated in India (A portfolio manager, AIF or mutual fund shall invest in India through the FPI route)
- Securities issued by companies belonging to foreign jurisdiction

### 14.9. Tax framework in the GIFT-IFSC

- Minimum Alternate Tax (MAT) - 9 % for IFSC units
- Security Transaction Tax (STT) - NIL
- Commodity Transaction Tax (STT) - NIL
- Dividend Distribution Tax (DDT) - NIL
- Long Term Capital Gain (LTCG) - NIL
- Tax Holiday (10 years)
- Bond or Global Depository Receipt, Rupee Denominated Bond of Indian Company, Derivatives have been exempted from capital gains tax

#### 14.9.1. Exempted Transaction

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

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

## 14.10. Currency permitted

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

## 14.11. Stock Exchanges operating in IFSC

### 14.11.1. India International Exchange INX

BSE, was first to establish the country's first International Exchange at the IFSC GIFT city Gandhinagar.

The International exchange received final approval from Securities and Exchange Board of India (SEBI) on December 30, 2016. India INX is now India's first International Exchange set up at GIFT City and was inaugurated by Honourable Prime Minister, Shri Narendra Modi, on January 9, 2017. India INX commenced trading activities on January 16, 2017.

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

### 14.11.2. NSE IFSC

NSE IFSC is a fully-owned subsidiary company of National Stock Exchange of India, a stock exchange launched as a global trading platform in the IFSC in Gujarat International Finance Tech (GIFT) city.

NSE IFSC obtained Certificate of incorporation dated November 29, 2016 issued by the Registrar of Companies, Gujarat situated at Ahmedabad. NSE IFSC commenced trading activities on June 6, 2017.

### 14.11.3. Products currently being offered by the stock exchanges in IFSC

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

- Index Derivatives:
  - Sensex (Benchmark index of BSE)
  - Nifty (Benchmark Index of NSE)
- Indian Single Stock Derivatives
- Debt:
  - Foreign Currency Bonds
  - Masala Bonds (INR denominated Bonds issued Offshore)
  - Sustainable Bonds
- Commodity Derivatives
  - Precious Metal
  - Base Metal
  - Energy
- Global Currency Derivatives
  - EUR/ USD
  - GBP/ USD
  - JPY/ USD

	Index Derivatives	Equity Derivatives	Commodity Derivatives	Currency Derivatives
India INX	✓	✓	✓	✓
NSE IFSC	✓	✓	✓	✓

#### 14.11.4. Trading and Settlement

The Clearing and Settlement of trades executed on INDIA INX and NSE IFSC shall be cleared and settled through their clearing corporations, namely INDIA ICC and NSE IFSC CLEARING CORPORATION LIMITED (NICCL) respectively as per the guidelines issued by SEBI and as per the provisions of Rules, Bye-Laws and Regulations of INDIA ICC and INDIA INX as well as any other circulars/guidelines that may be issued in respect of the same from time to time.

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

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

#### Acceptance of collateral by Clearing Corporations

Clearing corporations are permitted to accept cash and cash equivalents (which shall include major foreign currencies as may be decided by the clearing corporation from time to time, term deposit receipts and bank guarantees issued by bank branches located in IFSC), Indian securities held with foreign depositories, foreign securities including units of liquid mutual funds and gold, as eligible collateral for trades in all product categories. However, cash and cash equivalents should form at least 50% of the total liquid assets at all times.

### 14.12. Segregated Nominee Account Structure

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

The broad features of Segregated Nominee Account structure is as below:

Criteria	Details
Entities eligible to offer Segregated Nominee Account Structure	The following entities are permitted to offer Segregated Nominee Account Structure, as Providers: <ul style="list-style-type: none"> <li>— SEBI-registered brokers in IFSC</li> <li>— SEBI registered Category I and II Foreign Portfolio Investors (FPIs)</li> <li>— Trading / Clearing members of international stock exchanges/ clearing corporations that are regulated by a member of Financial Action Task Force (FATF)</li> </ul>
Registration of Provider	Providers have to be registered with Stock Exchange/ Clearing Corporation in IFSC for providing Segregated Nominee Account services to their end-clients

Criteria	Details
Know Your Client (KYC) of end-clients	<ul style="list-style-type: none"> <li>— Providers are required to ensure appropriate due diligence of end-clients as per global standards including KYC and Anti Money Laundering (AML) compliance before on-boarding clients for offering Segregated Nominee Accounts</li> <li>— An end-client shall open Segregated Nominee Account with only one Provider. Legal Entity Identifier (LEI) code can be used to ensure this and to ensure trades of an end-client are cleared and settled only through one clearing member</li> <li>— Each end-client will be assigned a Unique Client Code (UCC) by Stock exchange/ Clearing Corporation in IFSC</li> </ul>
Margining	<ul style="list-style-type: none"> <li>— Margins would be computed at the end-client level of Provider</li> <li>— Margins would be grossed up at and collected from Provider</li> </ul>
Monitoring of Position Limits	Position limits would be monitored at end-client level by stock exchanges / clearing corporations
Obligations of stock exchange	<ul style="list-style-type: none"> <li>— The Stock exchanges, brokers and Providers will be required to furnish to SEBI, information relating to trades on stock exchanges in IFSC, originated by/ through Providers, including KYC details of their end-clients, as and when requested</li> <li>— The Stock Exchanges shall ensure that the Providers adhere to the provisions of Prevention of Money Laundering Act, 2002 (PMLA) and rules thereunder, including capturing the KYC information for sharing with the Central KYC Registry (CKYCR) to the extent applicable to FPIs</li> </ul>

## 14.13. Important Links

<http://giftgujarat.in/>

<https://www.indiainx.com/>

<https://www.nseifsc.com/>

<http://giftgujarat.in/faq.aspx>

# Role of NSDL in facilitating foreign investments

Samar Banwat

Foreign investment has played a pivotal role in the development of Indian economy. Pursuant to liberalization of the economy in 1992, SEBI had allowed Foreign Institutional Investors (FIIs) to invest in India. India being an emerging market has always been preferred destination of FPIs since opening of the economy.

With the dawn of Foreign Portfolio Investor (FPI) Regime in 2014, NSDL has played an important role in the FPI regime.

SEBI has authorized NSDL to generate FPI Registration number and FPI certificate in a centralized manner. NSDL has developed a centralized web based portal viz., FPI Monitor ([www.fpi.nsd.co.in](http://www.fpi.nsd.co.in)) for registration of FPI applications with Designated Depository Participant (DDP). Till date, 12000+ FPIs have been granted registration on NSDL FPI portal by DDP with current active registration being at 9820.

Pursuant to introduction of revised FPI categories under SEBI (FPI) Regulations, 2019, NSDL has carried re-categorisation of FPI categories in around more than 9200 FPIs and issued revised FPI Registration certificates for such FPIs.

With an idea of improving ease of doing business in India, SEBI recently introduced Common Application Form (CAF) for applicants towards registration of Foreign Portfolio Investors (FPI) with Securities and Exchange Board of India (SEBI), allotment of Permanent Account Number (PAN) with Income Tax Department, Know Your Customer (KYC) and for opening of bank and demat accounts in India. Common Application Form has replaced the various existing forms like FPI Registration Form A, KYC & Account opening form of bank account and Form 49 AA for obtaining PAN which are required to be filed by the foreign investor desirous of investing in India as an FPI. As notified by Govt., the common application form will be available on the website of NSDL viz., FPI Monitor [<https://www.fpi.nsd.co.in>] Accordingly, NSDL has developed the online platform for FPI applicants on the aforesaid NSDL website for submission of common application form to its Designated Depository Participant (DDP) in India. The Common Application Form shall act as a Single Window clearance wherein FPI applicants shall fill a single form (as prescribed by Govt. of India) in an electronic manner and obtain

registration with SEBI, PAN from Income Tax Department, KYC and Open bank and demat account in India. NSDL has established connectivity with Income Tax Department (ITD) through NSDL eGovernance Infrastructure Ltd. which allows PAN to be allotted to FPIs in a span of 2-3 day's time.

Further, as advised by SEBI, NSDL is monitoring investment limit (i.e. 10%) in respect of FPIs belonging to same investor group based on clubbing information as furnished by FPIs through its DDPs. NSDL also monitors the aggregate investment limits in respect of Corporate Debt (as prescribed by RBI) and the status of Debt Utilisation is disseminated on aforesaid NSDL FPI website daily.

Since June 2018, NSDL has started monitoring Foreign Ownership Limits pertaining to Aggregate FPI, Aggregate NRI and Overall sector cap in Listed Indian companies. Around 2100+ companies have appointed NSDL as Designated Depository for monitoring these limits. The information on FOL is being disseminated on NSDL FPI website daily which enables foreign investors to invest in these listed companies cautiously. W.E.F. April 1, 2020, the Aggregate FPI limits have now been extended to sectoral caps (earlier being 24%) thus paving way for more exposure in the Indian companies.

NSDL also monitor investment limits in respect of Sovereign FPIs as well as compliance with SAST disclosures. Since June 1, 2014, NSDL has been publishing FPI investment information on daily and other frequencies along with Asset under Custody (AUC) held by FPIs.

NSDL holds asset worth more than US \$2665 billion with 20 million depository accounts as on August 31, 2020. NSDL holds a market share of 99% of FPI investment in India.

**Samar Banwat**  
Executive Director  
National Securities Depository Limited

Annexure

# 1

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## Forms and Declarations

### **Annexure 1.1** Common Application Form (CAF)

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



**7) Address & Communication Details****a) Registered /Residence Address**

Flat/ Room/ Door/ Block No.	<input type="text"/>
Name of Premises/Building/ village	<input type="text"/>
Road/ Street/Lane/ Post Office	<input type="text"/>
Area/ Locality/ Taluka/ Sub-Division	<input type="text"/>
Town/ City/ District	<input type="text"/>
State/Union Territory	<input type="text"/>
Pin Code/ Zip Code	<input type="text"/> Country Name <input type="text"/>

**b) Office Address**

Name of Office	<input type="text"/>
Flat/ Room/ Door/ Block No.	<input type="text"/>
Name of Premises/Building/ Village	<input type="text"/>
Road/ Street/Lane/ Post Office	<input type="text"/>
Area/ Locality/ Taluka/ Sub-Division	<input type="text"/>
Town/ City/ District	<input type="text"/>
State/ Union Territory	<input type="text"/>
Pin Code/ Zip Code	<input type="text"/> Country Name <input type="text"/>

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

**d) Contact Details:**

Sr. No.	Particulars	Registered/Residence			Office		
		Country Code	Area/ STD Code	Number	Country Code	Area/ STD Code	Number
1	Telephone Number:	<input type="text"/>					
2	Mobile Number:	<input type="text"/>					
3	Fax Number:	<input type="text"/>					
4	Email ID:	<input type="text"/>					
5	Website:	<input type="text"/>					

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

- a)** Individual Custodian/DDPs may seek additional documentation/ownership details at a lower threshold than prescribed, based on their independent evaluation and risk classification of the respective FPI applicants on the basis of multiple parameters such as home jurisdiction, type of entity, nature of business etc.
- We declare that there is no natural person/individual who are ultimately holding >  % beneficial ownership directly/indirectly into the entity as well as on controlling basis for companies, Trust & General Partner / Limited Partnership structure. We therefore provide details of the senior managing official of the FPI as under.
- The list of beneficial owners as per materiality threshold for controlling ownership interest and / or on control basis is provided as under:

Name & Address of the Beneficial Owner (Natural Person)	Date of Birth	Tax Residency Jurisdiction	Nationality	Whether acting alone or together, or through one or more natural person as group with their name & address	BO Group Percentage Shareholding / Capital/Profit Ownership in the FPIs	Tax Residency Number/Social Security Number/Passport Number of BO/ any other Government issued identity document number (example Driving Licence) [Please provide any]
(2)	(3)	(4)	(5)	(6)	(7)	(8)

Signature of the Applicant \_\_\_\_\_

b) Does it have few persons or persons of the same family holding beneficial ownership and control?

Yes  No

#### 9) Income details

a) Source of Income:  Code for Business / Profession

b) Gross Annual Income (in INR): \_\_\_\_\_

Net worth (Asset less liabilities) (in INR): \_\_\_\_\_ as on: \_\_\_\_\_ (DD/MM/YYYY)

#### 10) Occupation Details:

For Individuals  For Non – Individuals

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

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

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

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

### Part B- FPI Registration Information

#### 13) Category of Applicant

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

a) Type of category  Name of Sub- Category

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

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

Yes  No

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

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

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

Yes  Not Applicable

#### 17) Information pertaining to the compliance officer

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

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

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

Signature of the Applicant \_\_\_\_\_

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

If yes, please provide name of Global custodian	
Name of Regulator	
Registration Number/ code with regulator, if any	
Address	

20) Details of the designated depository participant, custodian of securities and designated AD Category I bank appointed

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

Name	SEBI Registration number
------	--------------------------

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

Name of the Bank and Branch	
Address	

21) Disciplinary History

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

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


22) Clubbing of Investment Limit

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

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

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

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

23) Details of Prior association with Indian securities market

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

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

### Part C- Additional Information for obtaining PAN

24) Whether the applicant already holds PAN   If Yes, please mention PAN:\_\_\_\_\_.

If No, then below mentioned fields will be applicable.

25) Status of Applicant

26) Assessing Officer (AO code)

Area code	AO type	Range code	AO No.

Signature of the Applicant \_\_\_\_\_

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

28) **Representative or Agent of the Applicant in India**

**Full Name (Full expanded name: initial are not permitted)**

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

Last Name/Surname

First Name

Middle Name

**Address**

Flat/ Room/ Door/ Block No.

Name of Premises/Building/ Village

Road/ Street/Lane/ Post Office

Area/ Locality/ Taluka/ Sub-Division

Town/ City/ District

State/ Union Territory

Pin Code/ Zip Code

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

Yes  No If yes, then indicate name of the Stock Exchange: \_\_\_\_\_

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

Foreign exchange, Money Changer Services  Yes  No

Gaming/ Gambling/ Lottery services (Casinos and Betting Syndicates)  Yes  No

Money Lending, Pawning  Yes  No

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

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

**Part D – Additional Information Applicable Only for Individuals**

32) **Gender:**

33) **Marital Status:**

34) **Citizenship Status:**

In case of Foreigner, country of citizenship :

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

Whether mother is a single parent and you wish to apply for PAN by furnishing the name of your mother only?

Yes  No ( please tick as applicable)

If yes, please fill in the mother's name in the appropriate space provide below.

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

Last Name/Surname

First Name

Middle Name

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

Last Name/Surname

First Name

Middle Name

Select the name of either father or mother which you may like to be printed on PAN card (Select one only)

**Father's Name**  **Mother's Name (please tick as applicable)**

(In case no option is provided then PAN card will be issued with father's name except where mother is single parent and you wish to apply for pan by furnishing name of the mother only)

Signature of the Applicant \_\_\_\_\_

**36) Spouse Name**

--

**PART E: Depository & Bank Account Opening****37) Details To Be Obtained For Opening Depository Account****a) Authorisation**

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

OR

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

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

<input type="checkbox"/>	Any one single	
<input type="checkbox"/>	Jointly by	
<input type="checkbox"/>	As per resolution	
<input type="checkbox"/>	Others (please specify)	

**38) Bank Account Information:**

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

OR

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

**PART- F (Declaration & Undertaking)****Declaration and Undertaking**

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

Place \_\_\_\_\_ Date: \_\_\_\_\_

For and on behalf of applicant

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

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

Signature of the Applicant \_\_\_\_\_

**FOR OFFICE USE ONLY**

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

**Applicant Bank Account Information (To be captured in the depository system)**

1)	Bank account type- Others - SNRA _____																				
2)	Bank Account Number _____																				
3)	Bank Name _____																				
4)	Branch Address _____																				
	<table border="1"> <tr> <td>City/town/village</td> <td></td> <td>PIN Code</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>State</td> <td></td> <td>Country</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </table>	City/town/village		PIN Code								State		Country							
	City/town/village		PIN Code																		
State		Country																			
5) MICR Code	<table border="1"> <tr> <td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td> </tr> </table>																				

Documents Received  Risk Category **IN PERSON VERIFICATION CARRIED OUT BY**Identity Verification:  Done Date: 

Emp. Name \_\_\_\_\_ Emp. Code \_\_\_\_\_

Emp. Designation \_\_\_\_\_ Emp. Branch \_\_\_\_\_

Signature

**INSTITUTION DETAILS**

Name \_\_\_\_\_

Code \_\_\_\_\_

(Institution Stamp)

## Annexure 1.2. Annexure to CAF

### I Declaration and Undertaking

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

### II Additional information

1. Separate registration for the purposes of hedging the ODIs with derivatives as underlying in India?(applicable only for Category I)  
 Yes  No
2. If segregated portfolio is maintained for each sub-funds or share classes/ equivalent structures of the applicant, names of such sub-funds or share classes/ equivalent structures that intend to invest in India.

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

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

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

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

## 4. Bank or subsidiary of bank declaration

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

Name of entity
----------------

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

## 5. Non-resident Indians (NRIs) and/ or Overseas Citizen of India (OCIs) and/ or Resident Indian (RI) declaration

(not applicable for entities seeking registration under regulation 5(a)(i))

**Section A- I: NRI/ OCI/ RI – Control:**

- 1.
- 
- There is no NRI/ OCI/ RI who exercises control over the FPI

OR

- NRI/ OCI/ RI exercise control in us and we confirm that we will meet eligibility conditions mentioned within two years from the date of registration

OR

- 2.
- 
- The applicant is not controlled by an investment manager who in turn is controlled by NRI/ OCI/ RI.

OR

- NRIs/ OCI/ RIs controlled Investment Manager (IM) is in control of the applicant and the said IM is:

- Appropriately regulated and is registered with SEBI as a non-investing FPI. OR
- Incorporated/ setup under Indian laws and appropriately registered with SEBI.

OR

- 3.
- 
- We are a non-investing FPI directly or indirectly fully owned and/ or controlled by a NRI/ OCI/ RI.

OR

- 4.
- 
- We are an offshore fund for which no-objection certificate has been provided by SEBI in terms of SEBI (Mutual Funds) Regulations, 1996

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

- 1.
- 
- We confirm that there are no NRI/ OCI/ RI who are constituents/ investors in the FPI

OR

- 2.
- 
- We confirm that NRIs/ OCIs/ RIs\* as investors in the FPI and contributions by single NRI/ OCI/ RI including those of NRI/ OCI/ RI controlled Investment Manager are below 25% of the corpus of the FPI and in aggregate is below 50% of the corpus of FPI

\*Explanation: Resident Indian's contribution, if any, that is made through Liberalised Remittance Scheme (LRS) approved by Reserve Bank of India in our funds and our Indian exposure is less than 50%.

OR

- 3.
- 
- Investments by NRI/ OCI/ RI in the FPI are not meeting above condition(s) and we confirm that we will meet the condition(s) within two years from the date of registration.

OR

4.  None of the above restrictions/ conditions mentioned in Section A & B are applicable to us as we are/ shall be investing only in mutual funds in India through our FPI registration

6. Applicants undertaking investments on behalf of its clients

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

- i. Clients are individuals and/ or family offices
- ii. Clients are eligible for registration as FPI and are not dealing on behalf of third party
- iii. Applicable KYC prescribed by SEBI has been performed on the clients
- iv. The complete investor details of its clients is as below and we shall provide the same on quarterly basis (end of calendar quarter) by end of the following month to DDP

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

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

Yes  No

If Yes, please provide below information

Name of authorised representative of FPI (optional)	
Email id 1 (Mandatory)	
Email id 2 (Optional)	
Email id 3 (Optional)	
Mobile number (optional)	

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

Sr. No.	Name	Relationship with Applicant (i.e. promoter s, directors, Signatory etc.)	PAN (if applicable)	Nationality/ Country of Residence	Date of Birth (DD/ MM/ YYYY)	Residential/ Registered Address	Any government issued identity document number (example driving license)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.							

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

9. Information regarding intermediate material shareholder/ owner entity  
(For determining Beneficial owner details as per circular issued by SEBI from time to time)

a) Details on the basis of ownership or entitlement:

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

OR

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

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

b) Beneficial Ownership by Control:

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

OR

Details of controlling entity is provided as under:

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

Date:

Name of Applicant:

(Signature block for Applicant)

Signature(s) of Authorised Person(s)

### III Undertaking from investment manager under regulation 5(a)(iv)(ii) or 5(a)(v)(a), as applicable

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

Place:

Date:

(Signature block)

Signature(s) of Authorised Person(s)

### IV Undertaking from eligible Category I entity under regulation 5(a)(v)(b)

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

Place:

Date:

(Signature block)

Signature(s) of Authorised Person(s)

## Annexure

## 2

## Documentation and Guidance

## Annexure 2.1 Documentation Requirements for FPI Registration

FPI Registration Application Documentation		
Application to DDP Application Form for Grant of Registration which includes	Common Application Form (CAF) CAF is a digital form, hosted online on FPI portal of NSDL on below link ( <a href="https://www.fpi.nsdl.co.in/web/HomePage/caf_landing.html">https://www.fpi.nsdl.co.in/web/HomePage/caf_landing.html</a> )	Refer Annexure 1.1
	Annexure to CAF	Refer Annexure 1.2
	User Registration for CAF portal	Refer Annexure 1.3
Guidance Note	Accessing and submitting CAF	Refer Annexure 2.2
	CAF: Part A – KYC Information	Refer Annexure 2.3
	CAF: Part B – FPI Registration Information	Refer Annexure 2.4
	CAF: Part C - Additional Information for obtaining PAN	Refer Annexure 2.5
	CAF: Part D - Additional Information Applicable Only for Individuals	Refer Annexure 2.6
	CAF: Part E - Depository and Bank Account Opening	Refer Annexure 2.7
	CAF: Part F - Declaration and Undertaking	Refer Annexure 2.8
	Annexure to CAF	Refer Annexure 2.9
Additional Registration documents	These documents will form part of the FPI Registration application.	Ref Annexure 2.10

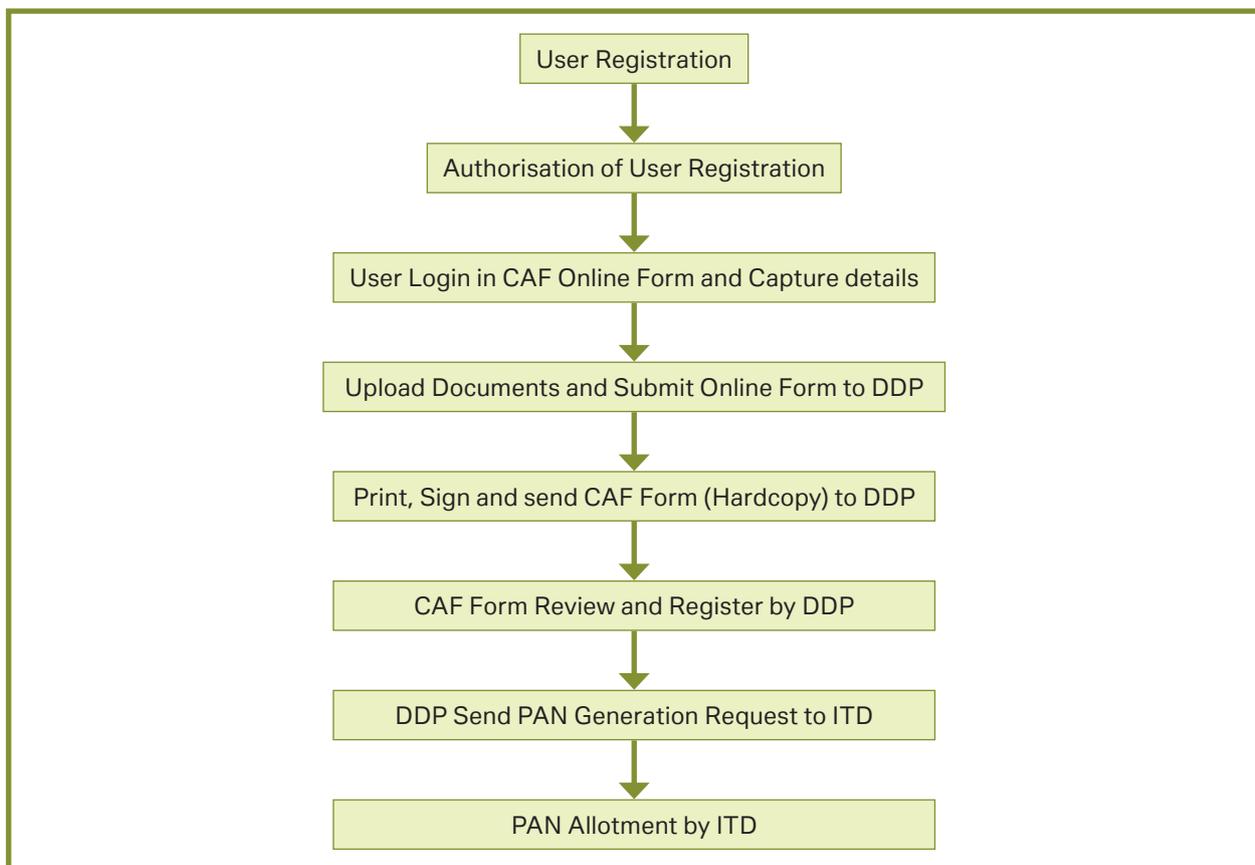
Renewal of FPI Registration		
Continuance of Registration	For Continuance of Registration, the FPI will need to submit the following 15 days prior to expiry of registration <ul style="list-style-type: none"> <li>— Covering letter for renewal of FPI registration</li> <li>— Fees (as per the category in which it is registered)</li> <li>— The declaration, if there are changes in any information submitted to SEBI/ DDP earlier</li> <li>— In case of change in information, inform about the change, provide additional information and supporting documents as applicable</li> </ul>	
Regulatory Approval	To be issued by DDP on behalf of SEBI	
KYC Documentation		
Other KYC Document Requirements	Supporting documents for completion of KYC and account opening	Ref Chapter 6

## Annexure 2.2 Guidance Note for Accessing and submitting CAF

Section reference	Information required in Form	Guidance comments
1	Weblink	<a href="https://www.fpi.nsdl.co.in/web/HomePage/caf_landing.html">https://www.fpi.nsdl.co.in/web/HomePage/caf_landing.html</a>
2	User Registration/ Login	New Users required to create new registration. Existing users may use existing log-in credentials to log-in
2.1	Registration	Click Register now.
2.2	Register User As	Where the FPI Applicant is applying directly, the applicant would select to be registered as FPI Applicant. Where a Global Custodian (GC) is applying on behalf of the FPI applicant, the user to be registered as Global Custodian
2.3	Address and Communication details	The FPI Applicant/ GC seeking to register as User, to provide address and communication details. Fields marked in red asterisk (*) are mandatory <ul style="list-style-type: none"> <li>— Address of User</li> <li>— City in which located</li> <li>— State (where applicable)</li> <li>— Zipcode (or equivalent postal code for address)</li> <li>— Country</li> <li>— Country Code- ISD calling code for the country</li> <li>— Area/ STD Code – Local Area calling code within the country code, wherever applicable</li> <li>— Mobile (Hand phone)/ Telephone number</li> </ul>
2.4	Login Credentials	<ul style="list-style-type: none"> <li>— Email ID – It would serve as the User ID</li> <li>— Password – Desired password for login</li> <li>— Captcha</li> </ul>

Section reference	Information required in Form	Guidance comments
2.5	Review Information	After clicking Save and Next a pop-up would appear Close i.e. click (x) And then review the information And click Save and Next.
2.5	Email ID verification	— A verification code will be sent to the Email Id (entered under User credential section) — Enter the verification id and click verify code
2.6	DDP Selection	— Once correct code is input, the portal would prompt for selecting Designated Depository Participant — Select the DDP — A pop-up will ask for confirmation of User creation, with selected DDP as the DDP
2.7	DDP Authorisation	— Select the DDP — A pop-up will ask for confirmation of User creation, with selected DDP as the DDP User would be created subject to authorisation by the User selected DDP — Once approved by DDP, the User can log-in to the portal to submit FPI Application

### FPI Application Flow chart



## Annexure 2.3 Guidance Note for Common Application Form

This guidance note has been prepared by Deutsche Bank India with a view to facilitate foreign investors to complete the Common Application Form (CAF), which is applicable for all new FPI registrations

Guidance Notes for fields in Common Application form:

Section reference	Information required in Form	Guidance comments
Part A	KYC Information	
1.	Name of the Applicant	The applicant needs to input the name as captured in the incorporation document. (as registered in their home country) Details should match the POA Individuals to fill the details as per slots provided. Non-individuals can fill the name beginning from first row (Last Name) and fill-up in continuous sequence in subsequent rows. i.e. treating the three rows as a single contiguous row. Abbreviated form of words such as "Private Limited" should NOT be used
2.	Abbreviation of the Name, (for printing on the PAN card)	The applicant needs to input the name as preferred to appear on PAN card with maximum of 75 characters.
3.	Have you ever been known by any other name?	If applicant selects "Yes", then it is mandatory to provide details of the old name. This field does not accept special characters and numeric, hence client to mention the name accordingly.
4a.	Date of Birth/ Incorporation/ Establishment/ Formation	The applicant needs to provide the date on which the applicant was incorporated or set up. Date to be in DDMMYYYY format
4b.	Date of commencement of business	The applicant needs to provide the date when the business commenced post incorporation. Date to be in DDMMYYYY format
5.	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 select the country from the drop down list, 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.'
6a.	Legal Entity Identifier	The applicant needs to provide Legal Entity Identifier Code issued by Local Operating Units (LOUs) accredited by Global Legal Entity Identifier Foundation (GLEIF). Legal Entity Identifier is mandatory in India Market for transaction in Government Securities, Money Market and Forex Market.
6b.	Tax Residency Certificate No.	FPI Applicant to provide Tax Residency Certificate Number and select the country of Tax Residency from drop down list

Section reference	Information required in Form	Guidance comments
7	KYC Information (Address and Communication details)	
7a, 7b and 7c	Address of the Applicant	The applicant needs to mention their registered address and Office Address (if different from the registered address). Each field has a limitation of 25 characters. The country to be selected from given drop down list. Applicant also needs to indicate the address to be used for communication, by ticking the appropriate checkbox Details should match the POA
7d.	Telephone Number	<ul style="list-style-type: none"> <li>— The applicant to provide telephone number of the Registered Address/ Residence and the office Address</li> <li>— Country Code- ISD calling code for the country e.g. +91 for India</li> <li>— Area/ STD Code – Local Area calling code within the country code, wherever applicable e.g. 22 for Mumbai</li> <li>— Telephone Number</li> <li>— Mobile (Hand phone) - optional for Non-individual clients</li> <li>— Fax Number</li> </ul>
7d.	Email ID	The applicant needs to provide Email ID. Email id field has a limitation of 40 characters
7d.	Website	The applicant to provide the URL of any website maintained for the applicant (if available)
8	Information regarding Ultimate Beneficial Owner (End Natural Person)	
8a.	Identifying BO on basis of economic ownership or control	Beneficial Owners identified by the FPIs. This can be on basis of: <ul style="list-style-type: none"> <li>— Materiality threshold defined under Rule 9 of PMLA Rules or in case of “High Risk Jurisdiction” lower materiality threshold of 10%</li> <li>— Control</li> </ul> Where no Beneficial Owner is identified on materiality threshold/ control, applicant to provide details of Senior Managing Officials by ticking the relevant checkbox. Materiality threshold applied to be indicated by selecting from drop down
8a.	Details on the basis of ownership or entitlement	Details of Beneficial Owners identified above. All information in this grid is mandatory. The details required at column no. 8 are exempted for category I applicants as well as Category II applicants with sub category (5)(b)(i) - Appropriately regulated funds not eligible as Category I FPI
8b.	Family Holding	Applicant to indicate if multiple members of same family are holding beneficial ownership or control in the applicant

Section reference	Information required in Form	Guidance comments
9.	Income Details	
9a.	Source of Income	Source of Income of Applicant to be selected from drop-down. Applicants can select multiple options (if applicable). Sources of Income could be <ul style="list-style-type: none"> <li>— Salary</li> <li>— Capital Gains</li> <li>— Income from Business/ Profession</li> <li>— No Income</li> <li>— Income from other Sources</li> <li>— Income from House Property</li> </ul>
9a.	Code for Business/ Profession	To be filled where Income is stated to be from Business and Profession. Code for Business/ Profession of the Applicant to be selected from dropdown menu. A table of code and business/ profession provided below (at the end of this guidance note)
9b.	Gross Annual Income	The applicant to provide the Gross Annual Income in INR terms
9b.	Latest available Net worth in INR cannot be older than one year from the date of application; please provide date	Applicant to provide the Net Worth of the applicant and the date as on which the Net worth is stated for. The Net Worth cannot be older than one year from the date of application
10.	Occupation Details	Occupation of the Applicant to be provided. It would be selected from drop down list. The list is provided below at end of this guidance note Separate menu provided for individual applicants and non-individual applicants. Applicant to select from appropriate list
11.	Documents	
11.	Proof of identity submitted	Applicant to select, from the drop down list, the proof of identity to be submitted. List is provided below at the end of this guidance note
11.	Proof of address submitted	Applicant to select, from the drop down list, the proof of address to be submitted. List is provided below at the end of this guidance note

Section reference	Information required in Form	Guidance comments
12	<b>Politically Exposed Person</b>	
12	Whether the applicant or the applicant's authorised signatories/ promoters/ partners/ trustee/ whole time directors/ office bearer are <ul style="list-style-type: none"> <li>— A politically exposed person</li> <li>— Related to a politically exposed person</li> </ul>	Applicant to indicate whether any authorised signatories/ promoters/ partners/ trustee/ whole time directors/ office bearer of the applicant is either Politically Exposed Person or related to Politically Exposed Person

#### List of codes for Business and Profession

Code	Business/ Profession	Code	Business/ Profession
01	Medical Profession and Business	11	Films, TV and such other entertainment
02	Engineering	12	Information Technology
03	Architecture	13	Builders and Developers
04	Chartered Accountant/ Accountancy	14	Members of Stock Exchange, Share Brokers and Sub-Brokers
05	Interior Decoration	15	Performing Arts and Yatra
06	Technical Consultancy	16	Operation of Ships, Hovercraft, Aircrafts or Helicopters
07	Company Secretary	17	Plying Taxis, Lorries, Trucks, Buses or other Commercial Vehicles
08	Legal Practitioner and Solicitors	18	Ownership of Horses or Jockeys
09	Government Contractors	19	Cinema Halls and Other Theatres
10	Insurance Agency	20	Others

#### List of Occupational Details

For Individuals	For Non-Individuals
Service - Private sector	Private Company (R)
Service - Public Sector	Public Company (U)
Service - Govt. service	Body Corporate (D)
Business	Financial Institution (S)
Professional	Non-Government Organisation (N)
Agriculturist	Charitable Organisation (C)
Retired	
Housewife	
Student	
Others	

## List of Proof of Identity

For Individuals	For Non-Individuals
A- Passport Number (Passport Expiry date to be specified)	Certificate of Incorporation/ Formation
B- Voter ID Card	Registration Certificate
C- PAN card with Photograph	Memorandum of Article of Association/ Partnership Deed/ Trust Deed/ Prospectus/ offering memorandum or equivalent document
D- Driving Licence Number (Expiry date to be specified)	
F- NREGA Job Card	
Others	

## List of Proof of Identity

For Individuals	For Non-Individuals
Passport Number	Certificate of Incorporation/ Formation
Driving Licence	Registration Certificate
Voter ID card	Power of Attorney by FPI to Custodians (Notarised/ apostilled or consularised), mentioning address
NREGA Job Card	Utility bill of within past 2 months (landline/ electricity)
Others	Bank account statement of within past 3 months

## Annexure 2.4 Part B- FPI Registration Information

Section reference	Information required in Form	Guidance comment
13.	Category of the Applicant	
13a.	Type of Category (I/ II) and sub-category	<p>The applicant should select category and a sub- category, which is most appropriate for it from the drop down list.</p> <ul style="list-style-type: none"> <li>— Category: Category I or Category II</li> <li>— Sub-category: Sovereign Wealth Fund, Insurance, Corporate etc</li> </ul> <p>Category determination is important and shall affect subsequent documentation requirements and downstream operating rules. Applicants are requested to consider carefully before applying in selected category. Applicants should indicate the relevant type of entity in the box specifying category. e.g. An applicant operating as a Sovereign Wealth Fund should mention, 'Sovereign Wealth Fund' in the Category-I box</p>
13b.	Investing/ Non-investing entity	<p>Applicant to select whether the entity will be investing or non-investing entity.</p> <p>Non-investing entity would be applicable only for applicants seeking FPI license under the sub-category of Investment Manager.</p>

Section reference	Information required in Form	Guidance comment
14.	Whether the applicant is seeking registration under Multi Investment Manager (MIM) structure?	If the applicant has a Multi Managed Structure then select Yes in this section In case of a standalone applicant, select "No"
15.	Details of Investment Manager of FPIs which are registered under regulation 5 (a) of SEBI (FPI) Regulations, 2019 (as amended from time to time), if applicable or FPI seeking registration under MIM structure	FPI applicant to provide details of Investment Manager, which is registered as Category I, if the applicant is seeking registration in support of such Category I Investment Manager Same applies for applicant seeking registration under Multi Manager Structures, i.e. has selected "Yes" for 2.3
16.	Self-certification/ FATCA/ CRS declaration form?	
16.	Whether the applicant has provided with valid self-certification/ FATCA/ CRS declaration form?	Applicant to indicate if a valid self-certification/ FATCA/ CRS declaration is submitted. Mandatory for Foreign Investor to open demat account.
17.	Compliance officer	
17.	Information pertaining to compliance officer	The applicant needs to specify the complete details of the person who will be responsible for regulatory compliance of the applicant including phone and email id. Compliance officer is the primary contact for any formal communication from local regulatory authorities and/or DDP
18	Details of Regulatory Authority of the Applicant	
	Name and Country	The applicant needs to mention the name of the Regulatory authority, along with Country and website of the regulator, under which they are governed. For this purpose, appropriate regulatory authority is either Securities Market regulator or Central Bank (in case of a Bank as applicant).
	Registration Number/ Code (If any)	The applicant needs to mention their registration number with the Regulator
	Category/ Capacity in which the applicant is Regulated	The applicant is required to mention the capacity/ category in which it is regulated by the local regulatory authority

Section reference	Information required in Form	Guidance comment
<b>19.</b>	<b>Global Custodian (GC)</b>	
	Whether the applicant is coming through Global Custodian	Applicant to indicate if the applicant is coming through a GC.
	Details of GC	If the applicant is coming in through GC, following details of GC to be provided: <ul style="list-style-type: none"> <li>— Name of GC</li> <li>— Regulator of GC</li> <li>— Registration Number of GC with its Regulator</li> <li>— Address of GC</li> </ul>
<b>20.</b>	<b>Domestic Custodian and Banker</b>	
	Custodian	Applicant to provide the details of domestic Custodian/ DDP appointed, with SEBI registration number of the Custodian
	Authorised Dealer Category –I (AD Cat-I) Bank	FPI are permitted to open Foreign Currency and Special Non-resident Rupee account with a AD Cat-I Bank, authorised by RBI. Applicant to provide name of the bank and the branch, and its address
<b>21.</b>	<b>Disciplinary History</b>	
	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.  Applicant to tick “Yes” or “No” as applicable

Section reference	Information required in Form	Guidance comment
22.	Clubbing of Investment Limit	
	Clubbing of Investment limits is applicable dues to common control or common ownership of more than 50%	<p>FPIs shall provide details of all entities having direct or indirect common shareholding/ beneficial ownership/ common control/ beneficial interest of more than 50%, as a part of their group, and also registered or filed their application as FPI.</p> <ul style="list-style-type: none"> <li>— The common beneficiary owner(s) shall be identified on the basis of <ul style="list-style-type: none"> <li>— Shareholding</li> <li>— Voting rights</li> </ul> </li> </ul> <p>Any other forms of control, in excess of 50%, across FPIs, if any</p> <p>In the following table - If the applicant is a Public Retail fund, and has a common control, they can provide appropriate details and seek exemption from clubbing.</p>
23.	Details of Prior Association with Indian Securities Market	
	Whether the applicant was anytime associated with Indian securities market as FPI, FII, Sub-account, QFI, OR FVCI (Yes/No)	<p>If Yes, furnish details in the table provided</p> <p>Select Yes or No as appropriate.</p> <p>In case of Yes, Please provide</p> <ul style="list-style-type: none"> <li>— Name of the Entity as earlier registered with SEBI</li> <li>— Registered as : either FPI, FII, Sub-account, QFI, OR FVCI</li> <li>— SEBI registration Number of the earlier registered entity.</li> </ul>

## Annexure 2.5 Part C- Additional Information for obtaining PAN

Section reference	Information required in Form	Guidance comment
	Current PAN status	
24.	Whether the applicant already holds PAN	<p>Applicant to choose appropriate response from the drop down list.</p> <p>If “Yes” the number to be provided in space provided. In such case the remaining Part C need not be filled.</p> <p>If “No”, the rest of Part C needs to be filled</p>
	Application for New PAN – To be completed in consultation with the clients tax agent.	
25.	Status of Applicant	<p>Applicant to select from the drop down list, among following options:</p> <ul style="list-style-type: none"> <li>— Individual</li> <li>— Company</li> <li>— Partnership firm, including LLP</li> <li>— Government</li> <li>— Trusts</li> <li>— Body of individuals</li> <li>— Local Authority</li> <li>— Artificial Juridical persons</li> <li>— Association of Persons</li> <li>— Limited Liability Partnership</li> </ul>

Section reference	Information required in Form	Guidance comment
26.	Assessing officer	Client to mention the appropriate Accessing Officer code in consultation with their local tax agent.
27.	Registration Number	Applicable to Corporate entities such as Companies, which are required to register Government Authority (e.g. Registrar of Companies), of country of residence
28.	Representative or Agent of the Applicant in India	Section 160 of Indian Income Tax Act, 1961 permits assessee to be represented through Representative Assessee. Details of Representative Assessee to be provided, such as tax agent appointed by FPI applicant Proof of Identity and Proof of address are also required for representative assessee
29.	Listing Status	Applicant to indicate whether the entity is listed on stock exchange or not. If listed, name of the stock Exchange to be provided
30.	Is the entity involved/ providing any of the following services — Foreign exchange, Money Changer Services — Gaming/ Gambling/ Lottery services (Casinos and Betting Syndicates) — Money Lending, Pawning	Applicant to select the appropriate checkbox.
31.	Documents	Refer to the list provided below for the documents. Applicant to indicate the document being submitted as Proof of Identity and Proof of Address for PAN purpose

#### Proof of Identity and Address by Individual and HUF

Proof of Identity	Proof Address
Copy of passport	Copy of passport
Copy of Person of Indian Origin (PIO) card	Copy of Person of Indian Origin (PIO) card
Copy of Overseas Citizen of India (OCI) card	Copy of Overseas Citizen of India (OCI) card

Proof of Identity	Proof Address
Copy of other national or citizenship Identification Number or Taxpayer Identification Number duly attested by "Apostille" (in respect of countries which are signatories to the Hague Convention of 1961) or by the Indian Embassy or High Commission or Consulate in the country where the applicant is located or authorised officials of overseas branches of Scheduled Banks registered in India.	Copy of other national or citizenship Identification Number or Taxpayer Identification Number duly attested by "Apostille" (in respect of countries which are signatories to the Hague Convention of 1961) or by the Indian Embassy or High Commission or Consulate in the country where the applicant is located or authorised officials of overseas branches of Scheduled Banks registered in India.
	Copy of Bank account statement in the country of residence
	Copy of Non-resident External (NRE) bank account statement in India
	Copy of Certificate of Residence in India or Residential permit issued by the State Police Authorities
	Copy of Registration certificate issued by the Foreigner's Registration Office showing Indian address
	Copy of Visa granted and Copy of appointment letter or contract from Indian Company and Certificate (in original) of Indian address issued by the employer.

#### Proof of Identity and Address by non-individuals

Proof of Identity	Proof Address
Copy of other national or citizenship Identification Number or Taxpayer Identification Number duly attested by "Apostille" (in respect of countries which are signatories to the Hague Convention of 1961) or by the Indian Embassy or High Commission or Consulate in the country where the applicant is located or authorised officials of overseas branches of Scheduled Banks registered in India.	Copy of other national or citizenship Identification Number or Taxpayer Identification Number duly attested by "Apostille" (in respect of countries which are signatories to the Hague Convention of 1961) or by the Indian Embassy or High Commission or Consulate in the country where the applicant is located or authorised officials of overseas branches of Scheduled Banks registered in India.
Copy of registration certificate issued in India or of approval granted to set up office in India by Indian Authorities	Copy of registration certificate issued in India or of approval granted to set up office in India by Indian Authorities

## Annexure 2.6 Part D – Additional Information Applicable Only for Individuals

Section reference	Information required in Form	Guidance comment
	Information on the Individual	
32.	Gender	Applicant to choose appropriate gender from the drop down list: <ul style="list-style-type: none"> <li>— Male</li> <li>— Female</li> <li>— Transgender</li> </ul>
33.	Marital Status	Applicant to choose appropriate status from the drop down list: <ul style="list-style-type: none"> <li>— Single</li> <li>— Married</li> <li>— Divorced</li> <li>— Widow/Widower</li> </ul>
34.	Citizenship Status	Applicant to choose appropriate status from the drop down list.: <ul style="list-style-type: none"> <li>— Foreigner</li> <li>— PIO</li> <li>— OCI</li> </ul> For FPI applicant, Foreigner would be applicable Foreigners required to state country of citizenship
35.	Family Information	
	Whether mother is a single parent and you wish to apply for PAN by furnishing the name of your mother only	If the applicants mother is single parent, the applicant may apply for PAN using mother's name Applicant to choose appropriate response
	Father's Name	Applicant to fill father's name unless the applicant has chosen to apply for PAN under mother's name, in 2.1
	Mother's Name	Applicant to fill mother's name if the option at 2.1 is selected as yes. In other cases, this is optional
	Select the name of either father or mother which you may like to be printed on PAN card	PAN includes name of parent. Applicant to choose whether the name of parent should be mother's or father's, by ticking the appropriate checkbox. If not selected, father's name is printed by default except where option at 2.1 is selected as "Yes"
36.	Spouse Name	Applicant to provide name of the spouse wherever applicable

## Annexure 2.7 Part E: Depository and Bank Account Opening

Section reference	Information required in Form	Guidance comment
37.	Details for Depository Account	
37a.	Account authorisation	Investing FPI applicant to tick the check box authorising opening of Demat account, and indicate the name of the Depository Participant to open an account Non-Investing FPI may indicate that they do not wish to open demat account
37b.	Mode of Operation	Applicant to select Others checkbox and mention DB POA.
38.	Bank Account Information	
	Account authorisation	Investing FPI applicant to tick the check box authorising opening of Special Non Resident Rupee Account Non-Investing FPI may indicate that they do not wish to open Bank account

## Annexure 2.8 Part F- Declaration and Undertaking

Section reference	Declaration and Undertaking	Guidance comments
	Declaration and Undertaking	Applicant to mention the name of the signatory and the designation near the Signature Column, The Authorised Signatory should sign the document along with Name and date. Signature of the applicant at the bottom of each page of CAF in full (Singly/ Jointly) is required.

## Annexure 2.9 Guidance Note for Annexures to CAF

Section reference	Information required in Form	Guidance comment
1.	Account for ODI with Derivatives as underlying	
	Separate registration for the purposes of hedging the ODIs with derivatives as underlying in India?(applicable only for Category I)	FPI Applicant to indicate whether a separate account for hedging the ODIs with derivatives as underlying would be required. (Refer to Chapter 9 ODI section for details)
2.	Segregated portfolio	

Section reference	Information required in Form	Guidance comment
	If segregated portfolio is maintained for each sub-funds or share classes/ equivalent structures of the applicant, names of such sub-funds or share classes/ equivalent structures that intend to invest in India.	Applicant to provide names of each sub-funds or share classes or any other equivalent structure, that intend to invest in India market under the FPI registration, if such sub-fund/ share class or equivalent structure maintains segregated portfolio BO declaration is required for each fund/ sub fund/ share class/ equivalent structure
3.	Category I obtained by virtue of 75% ownership of category I FPI (Regulation 5(a)(v)(B) FPIs)	
	Details of eligible Category I entity registered under 5(a)(v) (B) of SEBI (FPI) Regulations, 2019	Regulation 5(a)(v)(B) permits FPIs to be registered as Category I, provided 75% ownership in such FPIs is held by certain FPIs which classify as Category I under sub-clause (ii), (iii) and (iv) of clause (a) of Regulation 5. Applicant to provide details of any such entity registered. <ul style="list-style-type: none"> <li>— Name of entity</li> <li>— Country</li> <li>— Entity type as per Regulation 5(a)</li> </ul>
4.	Bank or subsidiary of bank declaration	
	Bank or subsidiary of bank declaration	FPI applicant to indicate whether they are bank or bank subsidiary. Applicants who have branch/ representative office directly or through group companies, in India should indicate as such.
5.	Non-resident Indians (NRIs) and/or Overseas Citizen of India (OCIs) and/or Resident Indian (RI) declaration – Control	
Section A – I	Control of FPI	Applicant should not be controlled by NRI/ OCI/ RI. Applicant to indicate whether or not it is controlled by NRI/ OCI/ RI. If applicant is controlled by NRI/ OCI/ RI, they should confirm that they would comply with the regulatory conditions within 2 years of grant of registration
	Control of Investment Manager controlling the applicant FPI	Applicant should not be controlled by an Investment Manager which is controlled by NRI/ OCI/ RI, except where such Investment Manager is either appropriately regulated in home jurisdiction or set-up under Indian laws and registered with SEBI Applicant to indicate whether or not it is controlled by an Investment Manager which in turn is controlled by NRI/ OCI /RI. If it is controlled by such Investment Manager, it should indicate whether the Investment Manager qualifies under the permitted exceptions

Section reference	Information required in Form	Guidance comment
	Declaration by Non-investing FPI	A Non-Investing FPI may be controlled by NRI/ OCI/ RI An applicant controlled by NRI/ OCI/ RI being Non-Investing FPI, to indicate as such
	Declaration by offshore Funds of Indian Mutual Funds	Off-shore funds granted “No Objection Certificate” by SEBI under SEBI (Mutual Funds) Regulations, 1996, are exempted Off-Shore Fund which has obtained “No Objection Certificate” as per SEBI (Mutual Funds) Regulations, 1996, to indicate as such
<b>5.</b>	<b>Non-resident Indians (NRIs) and/ or Overseas Citizen of India (OCIs) and/ or Resident Indian (RI) declaration - Entitlement in FPI</b>	
Section B – II	Declaration when no investment by NRI/ OCI/ RI	If the Applicant FPI has no NRI/ OCI/ RI investor, the applicant to indicate as such
	Declaration when investment is within permissible limits	If the Applicant FPI has NRI/ OCI/ RI, but the investment is <ul style="list-style-type: none"> <li>— Below 25% of the corpus individually, and</li> <li>— Below 50% of the corpus in aggregate</li> </ul>
	Declaration when the investment is in excess of prescribed limit	If the Applicant FPI has NRI/ OCI/ RI, and fails to satisfy either of the below conditions, it should confirm that it would satisfy the conditions within 2 years of registration <ul style="list-style-type: none"> <li>— Below 25% of the corpus individually, and</li> <li>— Below 50% of the corpus in aggregate</li> </ul>
	Declaration when the limits are not applicable	If the FPI Applicant is investing only in units of schemes floated by Mutual Funds in India, it is exempt from conditions of Section A (Control by NRI/ OCI/ RI) or Section B (Investment by NRI/ OCI/ RI) Such FPI Applicant should indicate as such.
<b>6.</b>	<b>Applicants undertaking investments on behalf of its clients</b>	
	Applicants investing on behalf of clients	The applicant is required to provide details on clients on whose behalf the applicant intends to invest in the provided format and ensure that following conditions are adhered to: <ul style="list-style-type: none"> <li>— Clients are individuals and/ or family offices</li> <li>— Clients are eligible for registration as FPI and are not dealing on behalf of third party</li> <li>— Applicable KYC prescribed by SEBI has been performed on the clients</li> </ul> This information to be submitted to the DDP on quarterly basis.

Section reference	Information required in Form	Guidance comment
7.	KYC Consent	
	Does FPI wish KRAs to seek consent prior to permitting any intermediary to download their KYC information	<p>As data protection measure, a consent mechanism has been introduced with regards to accessibility to KYC data of FPIs. Where activated, the prior consent of the authorised person from the FPI is required to access the KYC data by market intermediaries.</p> <p>Applicant to indicate whether they seek to activate consent mechanism with regards to their KYC data.</p> <p>Where an applicant chooses to activate the mechanism, the applicant should provide Email ID of the authorised person. Minimum 1 Email ID is mandatory and upto 3 Email IDs can be provided.</p> <p>Email seeking the consent would be sent to the authorised Email ID. The field has a limitation of 40 characters.</p> <p>Note: To prevent impediment in obtaining consent and delay KYC procedure, applicants to ensure that that Emails from following Email IDs are not treated as spam/ junk/ phishing email.</p> <ul style="list-style-type: none"> <li>— For NDML KRA: info.kra@nsdl.co.in</li> <li>— For CVL KRA: gogreencvl@cdslindia.com</li> </ul>
8.	Authorised signatories to Form/ senior management	
	Information in respect of authorised signatories/ senior management of FPI applicant	<p>Applicant to provide details of authorised signatories/ senior management in the provided format</p> <p>Column 3. Pan Number : If the individual is not eligible for PAN, they can mention NA in the said column</p> <p>Column 6-8 : information required only for Category II Applicants which are not appropriately regulated (Category I and Category II under Regulation 5(b)(i) are exempted)</p>
9.	Information about Intermediate material shareholder	
9a.	Ownership or entitlement	Any intermediate owner/ entitlement holder identified on basis of threshold to be provided. Where no such holder is identified, applicant to indicate accordingly
9b.	Control	Any intermediate owner identified on basis of control to be provided. Where no such owner is identified, applicant to indicate accordingly
	Signature of Authorised signatory	
	Signature of Authorised Signatory(ies)	Client's Authorised Signatory to Sign the document along with Name, Designation and Date (dd/mm/yyyy). Annexure to CAF to be printed on the letterhead of the applicant and initials of the signatory to be affixed on all pages.

## Annexure 2.10 Additional Registration Documents

S No.	Document	Signing Authority
1.	Memorandum and Articles of Association or any other equivalent formation document	— To be Notarised by a Notary Public OR certified by a Foreign Multi National Bank (Certification should bear the Name, Date and Designation and the Bank Stamp)
2.	SEBI Registration Fees	Cat I – USD 3000 + USD 20 (for Pan application) Cat II – USD 300 + USD 20 (for Pan application)

## Annexure

## 3

## List of useful reference links

Reserve Bank of India (RBI)	<a href="https://www.rbi.org.in">https://www.rbi.org.in</a>
National Stock Exchange (NSE)	<a href="http://www.nseindia.com">http://www.nseindia.com</a>
Security Exchange Board of India (SEBI)	<a href="http://www.sebi.com">http://www.sebi.com</a>
Bombay Stock Exchange (BSE)	<a href="http://www.bseindia.com">http://www.bseindia.com</a>
Indian Clearing Corporation Limited (ICCL)	<a href="https://www.icclindia.com/">https://www.icclindia.com/</a>
NSE Clearing Limited (NCL)	<a href="http://www.nscclindia.com/">http://www.nscclindia.com/</a>
National Securities Depository Limited (NSDL)	<a href="https://www.nsdl.co.in">https://www.nsdl.co.in</a>
Central Depository Services Limited (CDSL)	<a href="https://www.cdslindia.com">https://www.cdslindia.com</a>
Press Information Bureau	<a href="http://pib.nic.in">http://pib.nic.in</a>
Ministry of Finance	<a href="http://finmin.nic.in">http://finmin.nic.in</a>
Department of Industrial Policy & Promotion	<a href="http://dipp.nic.in">http://dipp.nic.in</a>
CDSL Ventures Limited (CVL)	<a href="https://www.cvlkra.com">https://www.cvlkra.com</a>
NSDL Database Management Limited (NDML)	<a href="https://kra.ndml.in">https://kra.ndml.in</a>
International Organization of Securities Commissions (IOSCO)	<a href="http://www.iosco.org">http://www.iosco.org</a>
Bank for International Settlement	<a href="http://www.bis.org">http://www.bis.org</a>
Financial Action Task Force	<a href="http://www.fatf-gafi.org">http://www.fatf-gafi.org</a>

Annexure

## 4

## Key Contacts in India

Bombay Stock Exchange (BSE)

Name: Mr. Neeraj Kulshrestha  
 Designation: Chief Business Officer, BSE  
 Email: neeraj.kulshrestha@bseindia.com  
 Phone: +91-22-22728484

Indian Clearing Corporation Limited (ICCL)

Name: Ms. Devika Shah  
 Designation: Managing Director & CEO  
 Email: devika.shah@bseindia.com  
 Phone: +91-22-22728040

Name: Mr. Piyush Chourasia  
 Designation: Chief Risk Officer  
 & Head – Strategy  
 Email: piyush.chourasia@icclindia.com  
 Phone: +91-22-22728008

Central Depository Services Ltd (CDSL)

Name: Ms. Nayana Ovalekar  
 Designation: Chief Operating Officer  
 Email: nayana@cDSLindia.com  
 Phone: +91-22-66341855

CDSL Ventures Limited (CVL)

Name: Mr. Sunil Alvares  
 Designation: Chief Operating Officer  
 Email ID: sunila@cDSLindia.com  
 Phone: +91-22-22728627

Multi Commodity Exchange of India Ltd. (MCX)

Name: Mr. Rishi Nathany  
 Designation: Head - Business Development  
 & Marketing  
 Email: Rishi.Nathany@mcxindia.com  
 Phone: +91-22-6731 8888

Name: Girish Dev  
 Designation: Chief Regulatory Officer  
 Email: Girish.Dev@mcxindia.com  
 Phone: +91-22-6731 9299

Metropolitan Clearing  
Corporation of India Ltd.

**Name:** Mr. Balu Nair  
**Designation:** Managing Director  
**Email:** Balu.Nair@mclear.in  
**Phone:** +91-22-6112 9000 / +919930267674

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 Officer  
**Email:** raviv@nse.co.in  
**Phone:** +91-22 26598225

**Name:** Mr. K. Hari  
**Designation:** Chief Business Officer -  
Equity & Equity Derivatives  
**Email:** harik@nse.co.in  
**Phone:** +91-22-26598452

NSE Clearing Limited (NCL)

**Name:** Mr. Vikram Kothari  
**Designation:** Managing Director  
**Email:** vkothari@nsccl.co.in  
**Phone:** +91-22-26598424

National Commodity and Derivatives  
Exchange Limited (NCDEX)

**Name:** Kavita Jha  
**Designation:** Assistant Vice President,  
Business Development  
**Email:** Kavita.Jha@ncdex.com  
**Phone:** +91-22-66406849/ +919930267919

NSDL Database  
Management Limited (NDML)

**Name:** Sameer Gupte  
**Designation:** Senior Vice President  
**Email:** sameerg@nsdl.co.in  
**Phone:** +91-22-49142505

## Tax Agents/ Consultants:

BDO	<p>Name: Saumil Shah          Designation: Partner – Business Development          Email: saumilshah@bdo.in          Phone: +91 22 2439 3782 / +91 9819053297</p>
Deloitte, Haskins & Sells LLP	<p>Name: Rajesh H Gandhi          Designation: Partner          Email: rajegandhi@deloitte.com          Phone: +91-22-61854380</p>
Ernst & Young LLP	<p>Name: Tejas Desai          Designation: Partner          Email: tejas.desai@in.ey.com          Phone: +91-22-61920710 / +91 9820 410278</p>
KPMG	<p>Name: Naresh Makhijani          Designation: Partner, Head of Financial Services          Email: nareshmakhijani@kpmg.com          Phone: +91-22-30902120</p>
Manohar Chowdhry & Associates	<p>Name: Ameet Patel          Designation: Partner          Email: ameen.patel@mca.co.in          Phone: +91-22-24445064</p>
Minesh Shah & Co	<p>Name: Malav Shah          Designation: Partner          Email: malav@mineshshah.com          Phone: +91-22-40044600/4603/          +91 98209 09359</p>
PricewaterhouseCoopers	<p>Name: Suresh Swamy          Designation: Partner, Financial Services          Email: suresh.v.swamy@pwc.com          Phone: +91-22-61198053 / +91-9930148175</p>
SKP & Co	<p>Name: Maulik Doshi          Designation: Partner          Email: maulik.doshi@skpgroup.com          Phone: +91 22 6617 8100</p>
Grant Thornton India LLP	<p>Name: Raja Lahiri          Designation: Partner          Email: Fiigtax@in.gt.com          Phone: +91 22 6626 2600</p>

## Legal contacts

ARA Law	<p><b>Name:</b> Rajesh Begur  <b>Designation:</b> Founder &amp; Managing Partner  <b>Email:</b> rajesh@aralaw.com  <b>Phone:</b> +91 22 6619 9800</p>
AZB & Partners, Advocates & Solicitors	<p><b>Name:</b> Rushabh Maniar  <b>Designation:</b> Partner  <b>Email:</b> rushabh.maniar@azbpartners.com  <b>Phone:</b> + 91 22 6639 6880</p>
Finsec Law Advisors	<p><b>Name:</b> Sandeep Parekh  <b>Designation:</b> Managing Partner  <b>Email:</b> sandeep.parekh@finseclaw.com  <b>Phone:</b> +91 22 62363181</p>
Indus Law	<p><b>Name:</b> Nishant Singh  <b>Designation:</b> Partner  <b>Email:</b> nishant.singh@induslaw.com  <b>Phone:</b> +91 – 22- 49207215/  +91 – 22 - 61496215</p>
J. Sagar Associates, Advocates & Solicitors	<p><b>Name:</b> Aashit Shah  <b>Designation:</b> Partner  <b>Email:</b> aashit@jsalaw.com  <b>Phone:</b> +91-22- 43418536</p>
Khaitan & Co	<p><b>Name:</b> Siddharth Shah  <b>Designation:</b> Partner  <b>Email:</b> Siddharth.Shah@khaitanco.com  <b>Phone:</b> +91-22-66365000</p>
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## Annexure

## 5

List of Abbreviations  
used in the book

Abbreviation	Full word
AD	Authorised Dealer
ADR	American Depository Receipt
AGM	Annual General Meetings
AI	Approved Intermediaries
AIF	Alternative Investment Funds
ARC	Asset Reconstruction Companies
ASBA	Applications Supported by Blocked Amount
BIS	Bank for International Settlements
BSE	Bombay Stock Exchange
CBDT	Central Board of Direct Taxes
CBEC	Central Board of Excise and Customs
CBRICS	Corporate Bond Reporting and Integrated Clearing System
CC	Clearing Corporation
CCD	Compulsory Convertible Debenture
CCDL	Combined Corporate Debt Limit
CCIL	Clearing Corporation of India Ltd.
CCP	Central Counterparties
CD	Certificate Of Deposit
CDSL	Central Depository Services (India) Limited

Abbreviation	Full word
CFT	Combating the Financing of Terrorism
CIS	Collective Investment Scheme
CM	Clearing Members
CP	Commercial Paper
CPI	Consumer Price Index
CRS	Common Reporting Standards
CSGF	Core Settlement Guarantee Fund
CSGL	Constituents' Subsidiary General Ledger Account
CTT	Commodities Transaction Tax
DDP	Designated Depository Participant
DEA	Department of Economic Affairs
DII	Domestic Institutional Investor
DoR	Department of Revenue
DP	Depository Participant
DPIIT	Department for Promotion of Industry and Internal Trade
DR	Depository Receipts
DSC	Digital Signature Certificate
DTAA	Double Taxation Avoidance Agreement

Abbreviation	Full word
ECB	External Commercial Borrowing
ECM	Exchange Control Manual
EFI	Eligible Foreign Investor
EGM	Extraordinary General Meetings
ELM	Extreme Loss Margins
EBP	Electronic Book Provider
ETCD	Exchange Traded Currency Derivatives
ETF	Exchange Traded Funds
F&O	Futures & Options
FAQ	Frequently Asked Questions
FATCA	Foreign Account Tax Compliance Act
FATF	Financial Action Task Force
FCCB	Foreign Currency Convertible Bond
FCEB	Foreign Currency Exchangeable Bonds
FD	Fixed Deposit
FDI	Foreign Direct Investments
FEMA	Foreign Exchange Management Act
FI	Financial Institutions
FIFO	First In, First Out
FIFP	Foreign Investment Facilitation Portal
FIPB	Foreign Investment Promotion Board
FMC	Forward Markets Commission
FMI	Financial Market Infrastructures
FMP	Fixed Maturity Plan
FPI	Foreign Portfolio Investors
FPO	Follow On Public Offer
FRB	Floating Rate Bonds
FVCI	Foreign Venture Capital Investors

Abbreviation	Full word
FX	Forex
GAAR	General Anti-Avoidance Rule
GAH	Gilt Account Holders
GC	Global Custodian
GDP	Gross Domestic Product
GDR	Global Depository Receipts
GIFT City	Gujarat international Finance Tec-City
Gol	Government of India
G-Sec	Government Securities
Holdco	Holding Company
ICCL	Indian Clearing Corporation Limited
ICDM	Indian Corporate Debt Market
ICDR	Issue of Capital and Disclosure Requirements
IDFI	Indian Development Finance Institutions
IDR	Indian Depository Receipts
IFSC	International Financial Services Centre
IGA	Intergovernmental Agreements
INR	Indian Rupee
InvITs	Infrastructure Investment Trusts
IOSCO	International Organization of Securities Commissions
IPO	Initial Public Offer
IPP	Institutional Placement Programme
IRF	Interest Rate Future
ISIN	International Securities Identification Number
ITP	Institutional Trading Platform
IVCU	Indian Venture Capital Undertaking
KMP	Key Managerial Personnel
KYC	Know Your Client

Abbreviation	Full word
LLP	Limited Liability Partnership
MAT	Minimum Alternate Tax
MCA	Ministry of Corporate Affairs
MCCIL	Metropolitan Clearing Corporation of India Ltd
MCX	Multi Commodity Exchange of India Limited
MF	Mutual Fund Units
MIM	Multiple Investment Managers
MMOU	Multilateral Memorandum of Understanding
MoF	Ministry of Finance
MRC	Minimum Required Capital
MSEI	Metropolitan Stock Exchange of India
MTM	Mark to Market
NAV	Net Asset Value
NCD	Non-Convertible Debentures
NCDEX	National Commodity & Derivatives Exchange Limited
NDS-OM	Negotiated Dealing System-Order Matching
NEFT	National Electronic Funds Transfer
NOC	No Objection Certificate
NRI	Non-Resident Indian
NCL	NSE Clearing Limited
NSDL	National Securities Depository Limited
NSE	National Stock Exchange
OCI	Overseas Citizen of India
OCB	Overseas Corporate Bodies
ODI	Offshore Derivative Instruments
OFS	Offer for Sale
OTC	Over-the-counter
PAN	Permanent Account Number

Abbreviation	Full word
PD	Primary Dealers
PDO	Public Debt Office
PE	Permanent Establishment
PIO	Persons of Indian Origin
PIS	Portfolio Investment Scheme
PM	Primary Members
PMLA	Prevention of Money Laundering Act
PPP	Public Private Partnership
PSU	Public Sector Undertaking
PTC	Pass Through Certificates
QFI	Qualified Foreign Investor
QIB	Qualified Institutional Buyer
QIP	Qualified Institutions Placement
RBI	Reserve Bank of India
RDM	Retail Debt Market
REITs	Real Estate Investment Trusts
RFQ	Request For Quote
RTGS	Real Time Gross Settlement
SAST	Substantial Acquisition of Shares and Takeovers
SAT	Securities Appellate Tribunal
SCRA	Securities Contracts (Regulation) Act, 1956
SDR	Strategic Debt Restructuring
SEBI	Securities and Exchange Board of India
SGF	Settlement Guarantee Fund
SGL	Subsidiary General Ledger Account
SLB	Securities Lending & Borrowing
SLBS	Security Lending and Borrowing Scheme
SLR	Statutory Liquidity Ratio
SME	Small and Medium Enterprise

Abbreviation	Full word
SPAN	Standardised Portfolio Analysis of Risk
SPV	Special Purpose Vehicle
STT	Securities Transaction Tax
TAN	Tax Deduction and Collection Account Number
T-Bill	Treasury Bill
TC	Tax Consultant
TDR	Transfer of Development Rights
UPSI	Unpublished Price Sensitivity Information
VaR	Value-at-Risk
VC	Venture Capital
VCF	Venture Capital Funds
WHT	Withholding Tax
ZCB	Zero Coupon Bonds



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