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Foreign Investments in India

A report by DBS Bank

1. Investment Routes into India

1.1. Foreign Investment Avenues

Foreign investors have been permitted to invest in the Indian stock markets from 1992, when the Government of India issued the Guidelines for Foreign Institutional Investments. Subsequently, in November 1995, the SEBI (Foreign Institutional Investors) Regulations, 1995 were notified, which were largely based on the earlier guidelines.

In 2014, SEBI established a new harmonized framework for foreign investment in India called Foreign Portfolio Investor (FPI). Key features of FPI are detailed in subsequent parts of this section.

The various routes presently available for foreign investors to invest funds in India:

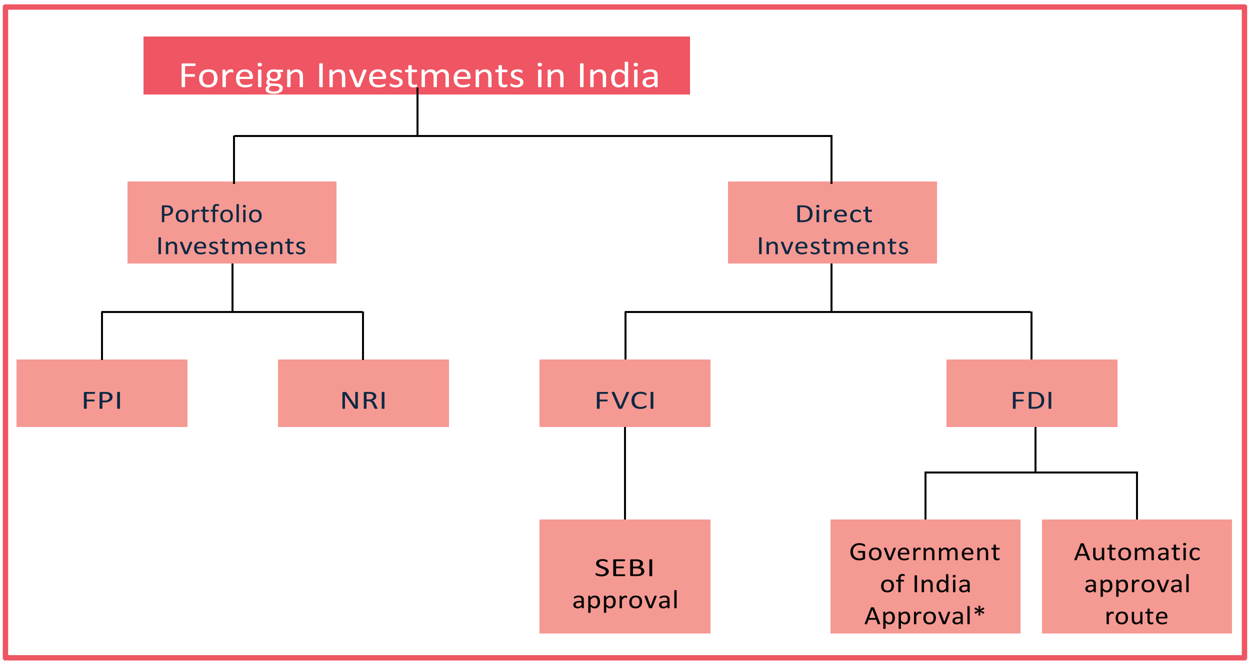
— Foreign Portfolio Investors (FPIs): Entities established or incorporated outside India and permitted to invest in listed Indian securities and unlisted debt

— 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

— Foreign Direct Investments (FDIs) (Strategic investments in Indian companies): Investments can be made either directly through the automatic investment route or with prior approval from the Reserve Bank of India (RBI)/ Government of India. The approvals for Government route would be provided by the respective department or ministry. The Department of Industrial Policy and Promotion (DIPP) has issued a detailed Standard Operating Procedure (SOP) for processing Foreign Direct investment (FDI) proposals. The proposal should be uploaded to the Foreign Investment Facilitation Portal of Department of Industrial Policy and Promotion which shall identify the concerned ministry or department and accordingly forward the proposal

— Foreign Venture Capital Investors (FVCIs): Investments in venture capital undertakings in specified sectors. Prior approval required from SEBI. SEBI has notified introduction of an online system for application for registration, reporting and filing under the provisions of Foreign Venture Capital Investors (FVCI) Regulations. Existing SEBI registered FVCIs will be required to activate their online accounts

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



*The approval would be provided by the respective ministry or department on behalf of the Government of India. Certain sectors would also require inputs from the Ministry of Home Affairs.

1.2. Foreign Portfolio Investor (FPI)

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

— 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

1.2.1. FPI Registration Documentation

FPI seeking registration shall make an application in specified format as mentioned in SEBI Operational guidelines, to the Designated Depository Participant (DDP), alongwith supporting documents and applicable registration fees, based on the category of the applicant. Documentation requirement for registration as FPI:

- Application Form for Grant of Certificate of Registration as Foreign Portfolio Investor (FPI) *
- Additional Declaration on NRI and Investment Management to be submitted DDP
- KYC and Account DP and Bank) Opening Form
- Ultimate Beneficial Owner Declaration
- Other registration documents (As provided in excel)
- KYC Documentation
- FATCA/ CRS Declaration
- Common Application form – Please refer to Annexure 1 of this document

Note: The new form would be replaced by Common Application Form (CAF), once notified by SEBI. The registration will be an online process linking FPI registration, PAN Application and KYC and Account opening (Securities, Bank and Depository accounts).

1.2.2. FPI Categorisation

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

Sr.#.	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 a) a. Appropriately regulated funds b) b. Unregulated funds whose investment manager is appropriately regulated and registered as a Category I FPI* c) c. University related endowments of such universities that have been in existence for more than 5 years	
6	An entity whose investment manager is from the 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	
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

1.2.3. FPI Registration Fee

The registration fee structure is summarised below.

Category	Entities	Validity of Registration
I	USD 2,950*	3 Years
II	USD 295*	3 Years

*Includes 18% GST

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-categorised from Category II FPI to Category I, can request to DDP along with requisite information, documents and payment of applicable fees.

1.2.4. 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

1.2.5. 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 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.

1.2.6. 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

1.2.7. 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.
    - Arm's 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.

1.2.8. 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 2,950*#	USD 295#	USD 295#
2	KYC	Simplified documentation. Less documents required compared to Category II FPIs.	Enhanced KYC requirements	Enhanced KYC requirements
3	Qualified Institutional buyer (QIB)	Yes	Yes	No QIB status
4	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	FPIs in Category I	FPIs in Category II	FPIs in Category III

	Currency Derivative segment	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	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	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
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

**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

Includes 18% GST

1.2.9. 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

1.2.10. Investment Guidelines – Equity

1.2.10.1. 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

1.2.10.2. 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

- o 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.
  - o Participation in OFS is open for all investors including FPIs
  - o Orders in the OFS window can be placed by institutional investors including FPIs through their brokers either:
  - o 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.

1.2.10.3. Restriction on Multiple bids

- — An Applicant should submit only one Application Form. Multiple bids by a single applicant are 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:
  - o Mutual Funds
  - o FPIs as below:
  - o FPIs which utilise the multi-investment manager structure
  - o Offshore Derivative Instruments (ODI) which have obtained separate FPI registration for ODI and proprietary derivative investments.
  - o Sub funds or separate class of investors with segregated portfolio who obtain separate FPI registration
  - o 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

1.2.10.4. 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.

1.2.10.5. Investment Limits in Equity and Monitoring of limits

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 are 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 up to 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.

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 is 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.

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.

1.2.10.6. 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.

1.2.11. Investment Guidelines – Derivatives and Hybrid Securities

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

1.2.11.1. 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	Higher of: — INR 3 billion, or — 10% of total open interest of the	Higher of: — INR 1 billion, or — 5% of total open interest of the

	market in index futures / options	market in index futures / options	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

1.2.11.2. 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.

1.2.11.3. 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.

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

1.2.11.4. 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 up to 25% stake in a category III AIF

1.2.12. 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:

Particulars	In (₹ Crore)			
Current FPI limit	5,41,488			
Revised limit for HY Apr 2021-Sep 2021	5,74,263			
Revised limit for HY Oct 2021-Mar 2022	6,07,039			
Limits for FPI investments in G-Sec and SDL				
	G-Sec		SDL	
	General	Long Term	General	Long Term
FPI investment limits	2,34,531	1,03,531	67,630	7,100

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:
  i. 15% of prevailing investment limit for that category for Long Term FPIs
  ii. 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:
  i. 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
  ii. 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
  iii. 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:
  i. 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
  ii. 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
  iii. 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.
  i. 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%
  ii. 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
  iii. 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

<u>II. Limit Utilisation Conditions</u>

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.

1.2.13. Government Securities

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

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)

1.2.14. 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

1.2.14.1. Primary Issuances

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

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
- — Biding shall be allowed in the bidding time window specified by the issuer. At the end of the bidding time window, EBP shall, on an anonymous basis, disclose the aggregate volume data, including yield, amount including the amount of oversubscription, total bids received, rating(s), category of investor etc. to avoid any speculations
- — EBP shall upload the allotment data on its website to be made available to the public.

1.2.14.2. Secondary Market

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)

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

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

1.2.15. 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
— Currently INR 750 billion is the maximum permissible investment cap. Of this INR 203.9345 billion has been allotted under VRR-Corp. The balance INR 546.0655 billion is now available for investments under VRR-Combined
— The tranche for the full amount is available “on tap”, for the FPI from May 27, 2019 until the limit is fully subscribed or December 31st 2019 whichever is earlier
— The mode of allotment and the minimum retention period will be announced by RBI ahead of the allotment
— 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

iii. 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

iv. Eligible Instruments/ Securities

a. Under VRR-Govt, below securities are available for investments:
   - Central Government dated Securities (G-Secs)
   - Treasury Bills (T-Bills)
   - State Development Loans (SDL)

b. 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
   - Security Receipts (SRs) issued by Asset Reconstruction Companies
   - Perpetual Debt instruments eligible for inclusion as Tier I capital and Debt capital Instruments as upper Tier II capital issued by banks in India
   - Non-convertible debentures/ bonds issued by Non-Banking Financial Companies categorised as 'Infrastructure Finance Companies'(IFCs) by RBI
   - Rupee denominated bonds/ units issued by Infrastructure Debt Funds
   - Credit enhanced bonds
   - Listed non-convertible/ redeemable preference shares or debentures issued in terms of Regulation 9 of these Regulations
   - Security receipts issued by securitisation companies
   - Securitised debt instruments

c. Repo and Reverse Repo transactions

d. Under VRR-Combined all the instruments/ securities mentioned above are permitted.

e. 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%
- Investment under VRR is 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

f. 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 FPIs assets falling below the minimum stipulated level of 75% of CPS during the retention period

1.2.16. 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'

1.2.17. 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	Yes. Current Limits Current Limits (From October 2020) G-Sec – INR 2,345.31 (General) INR 1,035.31 billion (Long Term) SDL INR 676.3 billion (General) INR 71 billion (Long Term) Corporate Bond INR 5414.88 billion	— Aggregate limit - INR 2500 billion. — To the extent limit is made available on-tap or for auction — Individual limit - to the extent the limit is obtained by bidding – CPS	No quantitative limit applicable. The specified securities will be fully accessible to eligible foreign investors
Lock-in on Investments	No lock-in provisions on investments. Fund fully repatriable	Yes. 75% of the CPS is Non-repatriable for a minimum retention period of 3 years or higher retention period as per the bid by FPI	No lock-in provision, fully repatriable

Eligible Investors	FPI	FPI	Eligible non-resident investors: — FPIs — NRI — OCIs — Other entities permitted to invest in G-Secs under Debt Regulations — Other non-resident entities investing through ICSDs
Investments in G-Secs and T-Bills	All G-Secs are permitted, provided investments in T-Bills and other G-Secs with short term maturity (<1 year residual maturity) does not exceed 30% of portfolio under G-Secs category	All G-Secs are permitted	Only specified G-Secs as below: — Securities issued after 1st April 2020, with tenor of: — 5 years — 10 years — 30 years — The following securities: — 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
Residual Maturity Conditions	— Investments should be in more than 1 year residual maturity. Exception for G-Sec and T-Bills where the investment in <1 year residual maturity should not exceed 30% of the total portfolio in G-Sec and T-Bill. — Investments in less than 1 year on a continuous basis (i.e. roll down of portfolio) should not exceed 30% of the total portfolio value in that category	No restrictions on maturity period	No restriction on maturity period
Concentration Limits	— General FPIs - 10% of the overall limit in that category — Long-term FPIs- 15% of the overall limit in that category	Not Applicable	Not Applicable
Single Investor-wise Group exposure limit for Corporate Bonds	Permitted to invest only up to 50% in a single ISIN (investment prior to April 27th 2018, grandfathered)	No such restriction on exposure. However, if the entity has invested 50% in the ISIN through GIL-MTF, then they cannot invest balance 50% through VRR	Investment in Corporate Bonds is not permitted

End use restriction for investments in Unlisted bonds	End use restriction on investment in real estate business, capital market and purchase of land	End use restriction on investment in real estate business, capital market and purchase of land	Investment in Corporate Bonds is not permitted
Mandatory use of Route	No. — Either GIL-MTF or VRR may be used subject to availability of head-room under the route — This route cannot be used to invest in FAR-specified securities	No. — Either GIL-MTF or VRR may be used subject to availability of head-room under the route — This route cannot be used to invest in FAR-specified securities	Mandatory for eligible investors investing in specified securities to use FAR
Segregated accounts	Existing SNRR Cash account and Securities account can be used for investments under this route	Segregated SNRR Cash account and securities account required for investments under VRR	No separate accounts required. Existing SNRR cash account and securities as used for investments under GIL-MTF can be used for investments under FAR
Transition between Routes	— Securities (other than FAR-specified) held under this route may be moved to VRR. However, no inward transition of securities to this route is permitted from other routes — All Existing investments in FAR-specified securities at the commencement of this route shall be automatically	— Securities held under GIL-MTF may be moved to this Route, however, securities held in VRR cannot move to GIL-MTF — All Existing investments in FAR-specified securities at the commencement of this route shall be automatically moved under FAR — INR Cash can be freely transferred to GIL-MTF and	All Existing investments in specified securities at the commencement of this route shall be automatically reckoned under FAR — No switch out of securities from FAR to other routes permitted — INR cash can be freely transferred to VRR account and can also be utilised for investments under GIL-MTF

	moved under FAR — INR Cash can be freely transferred to VRR cash account and can also be utilised for FAR	FAR related cash account only if the 75% of the CPS threshold limit is not breached	

1.2.18. Offshore Derivative Instruments

Offshore Derivatives Instruments (ODI) / Participatory Notes ("P-Notes") 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.

1.2.18.1. Conditions for issuance of ODIs under FPI Regulations 2019

1.2.18.1.1. 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.

1.2.18.1.2. Issue of ODIs

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

1.2.18.1.3. 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.

- 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
- 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

1.2.18.1.4. 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.

1.2.18.1.5. 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
- 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

1.2.18.1.6. 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

1.2.18.1.7. 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.

1.2.18.1.8. 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.#.	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

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

1.2.18.1.10. 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.

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

— ODI issuing FPI issuing have to submit reports as per specified format and frequency

- A monthly summary report and transaction details by the 10th of every month for previous month transactions
  - The ODI issuers are required to capture the details of all the intermediate transfers during the month in the monthly report submitted to SEBI
  - To avoid duplication of reporting, in case ODI is issued to another FPI who in turn issues an ODI, then both the FPIs need to report the ODI issuance. The first FPI will limit the intermediate transfer to the extent of second FPI. The second FPI will report the further issuance
  - FPIs shall commence reporting to SEBI only from the month they start issuing ODIs
- Manner of submission: 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

1.2.19. Reporting requirements

The table below summarises the reporting requirements for FPI

Report	Reporting to	Frequency	Responsibility	Remarks
FPIs:				
Assets under custody	SEBI	Fortnightly, Monthly	Custodian	
Equity and Debt Transaction	SEBI, RBI and Depositories (NSDL, CDSL)	Daily	Custodian	
CSGL reporting of transaction	RBI	Weekly	Custodian	
Original Maturity wise FPI holding in debt	SEBI	Monthly	Custodian	
Residual maturity reporting	SEBI RBI	Monthly Weekly	Custodian	
Debt limit Reporting (Corporate Bonds)	Depositories (NSDL, CDSL)	Daily	Custodian	To facilitate calculation of daily debt utilisation limits of FPIs. The limits are published at EOD by the depositories on their website.
Ownership pattern of GOI securities by FPI	RBI	Daily	Custodian	

Utilised-unutilised Debt limit	SEBI and RBI	As and when	Custodian	
FPI holding in corporate debt and G-Sec	RBI	Fortnightly	Custodian	Holding with details of purchase/ sale at an ISIN level for each FPI is reported
Client wise debt holding	Depositories (NSDL, CDSL)	Monthly	Custodian	
Foreign Exchange inflow and outflow details	RBI	Daily, weekly and monthly	AD Category I Bank	
Report for GDR repatriations	RBI	Monthly	AD Category I Bank	
Balances for FPI clients	RBI	Weekly	AD Category I Bank	
Details of outstanding forward contracts	RBI	Monthly	AD Category	
127 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	— Stock Exchanges where the shares of the target company are listed — The target company at its registered office.	On reaching the prescribed threshold of: — 5% or more of the shares of the target company — +/- 2% change in the holding position of the target company Reporting to be done within 2 working days	FPI/ FDI/ FVCI	
Insider Trading Regulations	To the Company	Types of disclosures as per provisions of the Act — Initial Disclosures — Continual Disclosures — Disclosures by other connected persons	FPI/ FDI/ FVCI	
Issuance of ODIs: — Transaction Reporting (Equity, Debt and F&O)	SEBI	Monthly	FPIs issuing the ODIs	

— Reporting of complete transfer trails of ODIs — Summary Report (As per the prescribed format)				
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	

1.3. Foreign Direct Investment (FDI)

Foreign Direct Investment in India is strategic investment into Indian Companies, existing or newly set-up. Since 2015, the Indian government has taken steps to make the country more attractive for FDI, such as easing regulations and the related regulatory environment through business process reengineering and use of information technology. FDI Investments can be made by non-residents in the equity shares, compulsorily and mandatorily convertible debentures/ preference shares of an Indian company, through the Automatic Route or the Government Route. Most sectors are now under the automatic route rather than requiring a specific approval from the government.
FDI Investments can be made by non-residents in the equity shares, compulsorily and mandatorily convertible debentures/ preference shares of an Indian company, through the Automatic Route or Government Route

- 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 / Approval 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.

1.4. Foreign Venture Capital Investment (FVCI)

For attracting foreign investment in selected ventures/ industries identified by Government to encourage certain sectors of the economy:

- 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

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

1.4.1. FVCI 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	— 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 — Applicant is authorised to invest in venture capital fund or carry on activity as a FVCI or Alternative Investment Fund in its jurisdiction — Professional Competence, Financial soundness, Experience, General reputation of fairness, Integrity — 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 — 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 o Integrity, reputation and character o Absence of convictions and restraint orders o Competence including financial solvency and net worth o Absence of categorisation as a wilful defaulter
Information to be provided	— Information or clarification with respect to the Investment strategy, commitment letters from Investors, life cycle of funds, etc.
Conditions of Certificate	— Certificate granted to the foreign venture capital subject to the conditions — Abide by the provisions of the Act, and these regulations — Appoint a SEBI registered custodian for purpose of safekeeping of securities — Shall open an operating non-resident rupee and foreign currency account

1.4.2. 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 has 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

1.4.3. 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 extended by SEBI, at its discretion, but will not be extended not beyond ninety days

1.4.4. Fees

Fee Type	Amount (in USD)	When paid
Application Fee	2,478*	At the time of application
Registration Fee	10,030*	Once in-principal 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.

* Includes 18% GST

1.4.5. 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

1.4.6. 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

1.4.7. 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

1.4.8. 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

1.4.9. 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

1.4.10. 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

1.5. 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%

1.6. 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 (including NRIs) residing abroad. A Depository Receipt (DR) is a negotiable instrument in the form of a certificate denominated in US dollars and is backed by the underlying equity shares in the Indian company issued in India. Such DRs are traded on stock exchanges outside India. The certificates are issued through an overseas depository bank against a specified quantity of underlying Indian stocks/ shares in that respective company. 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

Foreign investments through the Depository Receipts route are part of the FDI (Foreign Direct Investments) segment. Segregated demat accounts will have to be opened for ADR/ GDR investors, FDI, FPI and FVCI investors. Investments done through the other available investment routes cannot be co-mingled with the investments done through FPI route

1.7. Permitted Investments for Foreign Investors

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

Market Segment	Instrument Type	FPI	FDI	FVCI
Equity Market	Listed Equity	Yes	Yes*	Yes*
	Unlisted Equity	No	Yes	Yes
	Preference Shares (fully, compulsory and mandatorily convertible)	Yes	Yes	Yes
	Warrants	Yes	Yes	Yes
	Partly Paid Shares	Yes	Yes	Yes
Fixed Income	Dated Government Securities	Yes	No	No
	Treasury Bills	Yes*	No	No
	Commercial Papers	Only under VRR	No	No
	Repo Transactions	Only under VRR	No	No
	Corporate Bonds – Non-Convertible	Yes*	No	Yes*
	Corporate Bonds – Convertible (Compulsory and mandatory)	Yes*	Yes	Yes
	Corporate Bonds under Default[1]	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
	Municipal Bonds	Yes	No	No
	Rupee denominated bonds/ units issued by Infrastructure Debt Funds	Yes	No	No
	Securitised Debt Instruments	Yes*	No	No
Mutual Funds	Units of Mutual Funds	Yes**	No	No
	Exchange Traded Funds (ETFs) (excluding Gold ETFs)	Yes	No	No

[1] In line with RBI circular dated February 26, 2021 on 'Investment by Foreign Portfolio Investors (FPI) in Defaulted Bonds - Relaxations', Currently, FPI investments in corporate bonds are subject to a minimum residual maturity requirement, short-term investment limit (paragraph 4 (b)(ii)) and the investor limit (paragraph 4(f)(i)) in terms of the Directions. However, FPI investments in security receipts and debt instruments issued by Asset Reconstruction Companies and 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 are exempt from these requirements. It has now been decided to exempt investments by FPI in NCDs/bonds which are under default, either fully or partly, in the repayment of principal on maturity or principal instalment in the case of amortising bond from the aforesaid requirements.

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[2])	Yes*	No	No
	Cross – Currency Derivatives	Yes	No	No
	Interest Rate Swap	Yes*	No	No
Securities Lending & Borrowing (SLB) Segment	Listed Equity	Yes	No	No
Others	Units of Collective Investment Schemes	Yes	No	No
	Security Receipts issued by Asset Reconstruction Companies (ARCs)	Yes	No	No
	Units of Category I – Alternative Investment Funds (AIFs)	No	Yes	Yes
	Category II – Alternative Investment Funds (AIFs)	No	Yes	No
	Category III – Alternative Investment Funds (AIFs)	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 and voluntary retention route (VRR) limits
***Unlisted Corporate Bonds are subject to end use restriction
FPIs are not permitted to invest in partly paid debt instruments

1.8. 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

[2] ETD – Exchange Traded Derivatives and OTC – Over The Counter Derivatives

	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 Identity1	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

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 up to 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

2.1. 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

2.2. 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

3. 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 liasoning 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)

3.1. 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

3.2. 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.

3.3. 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

3.4. 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

3.5. 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 needs to be paid as per below schedule (applicable for corporate and noncorporate 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.

3.6. 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

3.7. 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

3.8. 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

3.9. 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: – Listed units of any registered pooled arrangements or scheme, or tripartite repo Note: Stock Exchange or CCP to intimate relevant depository in case of securities held in demat form	– The sale consideration reported to a stock exchange – 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	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	Consideration amount specified in the delivery instruction slip and the consideration as reported to the Depository If the consideration is paid in part or in instalments, stamp-duty shall be collected by the depository on the entire sale	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

			consideration when a transfer is affected	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 affected 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
	Pledgee	Transfer of securities pursuant to invocation of pledge	Market value of the securities	
	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: Fresh issue to investor as part of corporate action		
	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-Offers (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

Annexure 1 - Common Application Form Process

Below is the initial email that DDP team needs to send to any new FPI applicant which guides on how to generate the user id on NSDL FPI Portal

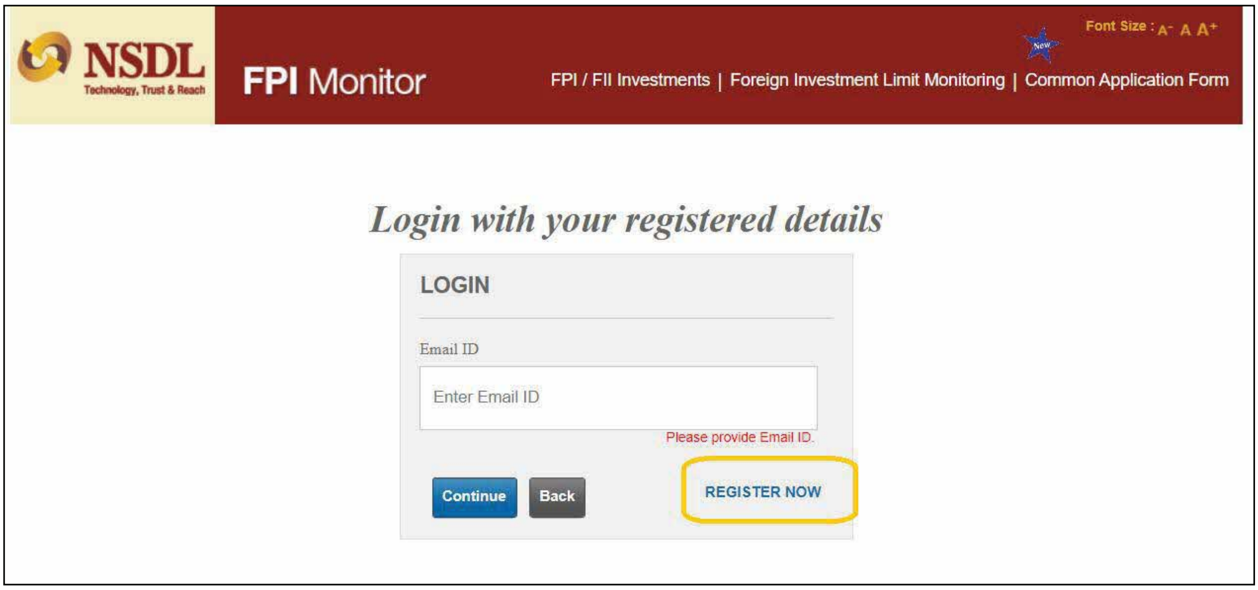
"The applicants seeking FPI registration shall be required to duly fill CAF and 'Annexure to CAF' and provide supporting documents and applicable fees for SEBI registration and issuance of PAN.
We would like to update you that the Common Application Form (CAF) is now available on the NSDL website i.e FPI Monitor [https://www.fpi.nsdl.co.in] for submission to its Designated Depository Participant (DDP) in India.
Accordingly, we request you to kindly apply, register and update the FPI details on Common Application Form (CAF) as below:

1. To access Common Application Form (CAF) go to the link www.fpi.nsdl.co.in
2. Click on Login button and 'Register Now' option and update the user details
3. User Details will then be communicated to the chosen Designated Depository Participant (DDP). In this case you need to select the DDP as 'DBS Bank Ltd'. Post-registration, kindly inform us by email the User id created and we will then authorize your user registration from backend and update you.
4. Once user registration is authorized, you will have access to the Common Application Form (CAF) on NSDL FPI portal under 'Login' screen with your credentials set at the time of user registration.
5. Then log in using the registered details and start filling Common Application Form through 'New application' button.
6. The guidelines/instructions to fill common application form are available through your registered login.
7. Once the updation and upload of documents is completed, then you may submit the same to DBS Bank India Limited who is appointed as the DDP.
8. Further you will have to take a print, sign and submit the filled CAF in physical form along with the requisite documents in original to DBS as a DDP. Each page of the Form has to be signed.

Kindly let us know in case of any assistance required in this matter."
Thereafter the DDP needs to share the below manuals as required by the FPI applicant to guide on how to fill the CAF.

Manual for New User Registration for Common Application Form on NSDL FPI Portal

In order to access common application form, applicant shall be required to Register as a User on NSDL FPI Registration Portal viz., FPI Monitor [www.fpi.nsdl.co.in]. For 'User Registration', applicant shall click on link viz., 'Register Now' available under 'Login' screen on aforesaid NSDL FPI registration portal.



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

User Type:

1. FPI
2. Global Custodian – In case application is being captured by Global Custodian

NSDL FPI portal facilitates user to capture and register multiple applications on behalf of FPI or GC. The detailed process flow for user registration is mentioned as under:

User registration details:

- FPI or GC User will fill up the user registration details such as name, address, communication, access credentials etc.
- User shall enter all mandatory fields along with captcha for authentication.

Review details:

- Post entering all mandatory fields, user will click on Save and next button.
- On Next Page, user will be required to 'Review and Confirm' user registration details captured.

Email verification:

- Post reviewing registration details, verification code will be sent by NSDL to designated email ID provided by user for the purpose of email verification.
- User shall enter Verification code sent by NSDL on email verification page.
- In case of non-receipt of verification code, user can request for resending the code.

DDP Selection:

- Upon successful email verification, user needs to select DDP (Designated Depository Participant) for authorising the user registration request in an online manner.
- Post selecting name of DDP by user, the user registration request will be sent to respective DDP for verification and activation electronically.

DDP User Verification:

- DDP shall authorise user registration request received online after review.
- Upon successful activation, user (FPI/GC) will be able to login into portal to apply for CAF as per user credential set at the time of user registration.
- An Email notification will be received by the user on the designated email id upon activation of user.

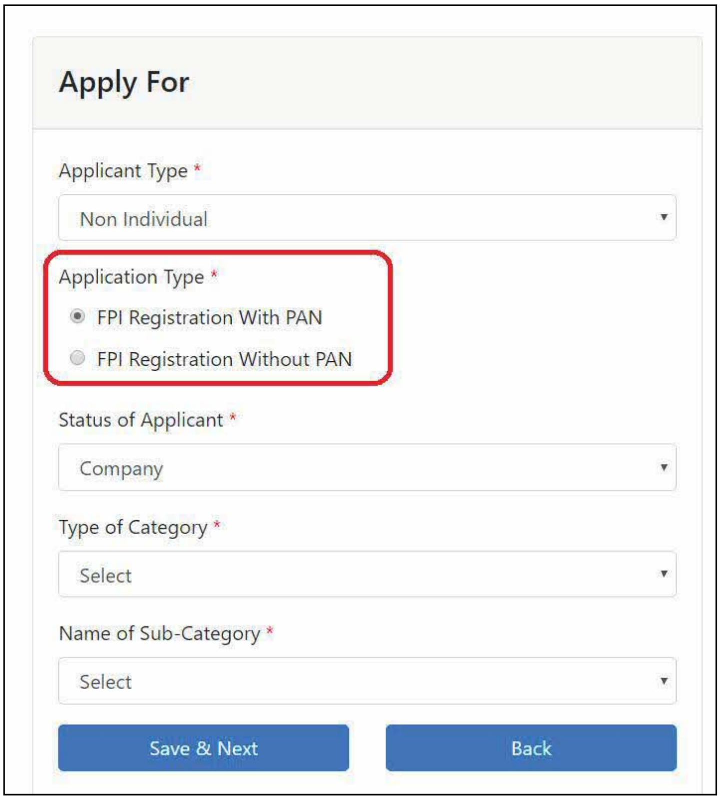
User manual for FPI Applicant to fill online Common Application Form on NSDL FPI Portal

1. FPI/Global Custodian shall login with its access credentials on NSDL FPI Registration portal [www.fpi.nsdl.co.in] by clicking on **'Login'** button.
2. Once logged in, user shall click on **'New Application'** button to open fresh Common Application Form.
3. Upon clicking on abovementioned button, system will redirect user to **'Apply For'** screen wherein user shall fill all primary details of applicant such as Applicant Type, Application Type, Status of Applicant and Category/sub-category of the applicant.
4. User shall select appropriate Applicant type as mentioned below:
   (i) Individual (not operationalised yet)
   (ii) Non-Individual
5. User will be able to apply for FPI registration with PAN and without PAN using options provided under Application Type as exhibited below:

   Application Type

   (i) ***FPI Registration with PAN*** – If the applicant wishes to apply for FPI Registration with SEBI along with Permanent Account Number (PAN) application with Income Tax Department of India.

   (ii) ***FPI Registration without PAN*** – If the applicant already holds the PAN, then applicant may choose to apply for FPI Registration with SEBI using this option.



6. User will be mandatorily required to provide PAN of the applicant in case of application being selected as 'FPI Registration without PAN'.
7. User shall select appropriate **'Status of Applicant'** based on the applicant status for the purpose of PAN application with Income Tax Department. Based on the aforesaid status of applicant, PAN number will be allotted to the applicant. [Please refer to Instructions for Common Application Form available on CAF Home Page (post login) for more details].
8. Further, User shall be required to select appropriate **Category** and **sub-category** (as exhibited above) under which the application is being submitted for registration with SEBI. Please refer to instructions for more information.
9. Once appropriate details are captured in respect of applicant, the user shall click on **Save & Next** button to proceed for capturing the online common application form.
10. User shall enter all the requisite fields as available under online common application form (separate tab) mentioned below:
    - (i) ***KYC Information*** - All KYC & PAN application related details need to be entered in respect of applicant
    - (ii) ***FPI Registration Information*** - All FPI registration details need to be entered along with DDP selection
    - (iii) ***Information for Obtaining PAN*** - Additional details in respect of PAN application to be filled in this tab
    - (iv) ***Depository and Bank Account Opening*** - Details pertaining to opening of Depository Account and Bank account to be captured in this tab
    - (v) ***Declaration & Undertaking*** - Combined Declaration pertaining to FPI, KYC as well PAN need to be undersigned in this tab
11. User will be required to fill all applicable and mandatory fields mentioned in each tab. User may refer to field wise instruction sheet as available on CAF home page as well as on the online form.
12. Document Upload Specification - Post capturing all necessary fields, applicant shall upload necessary documents on **'Documents Upload'** tab. You may refer below matrix for size requirement and file format extensions:

Document Particulars	Required	Maximum Size	File Type
KYC-Proof of Identity (POI)	Required	10 MB	PDF
KYC-Proof of Address (POA)	Required	10MB	PDF
PAN-Proof of Identity	Not required for non-individuals as FPI Registration Certificate will be used	250KB	PDF
PAN-Proof of Address		250KB	PDF
Scanned Common Application Form	Required	500KB	PDF/A
Representative Assesse (RA)- Proof of Identity (POI)	Required, if RA appointed	250KB	PDF
Representative Assesse (RA)- Proof	Required, if RA appointed	250KB	PDF

DBS