Deutsche Bank
Investor Services

Edition 2014

Namaste India

The comprehensive guide for professionals investing in India

Passion to Perform

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Foreword

It is indeed a great pleasure to write the foreword for our commemorative book titled 'Namaste India: The comprehensive guide for professionals investing in India' to celebrate the 20th Anniversary of the Investor Services (Custody & Fund Administration) business of Deutsche Bank in India.

India has and continues to be a very attractive emerging market investment destination for investors from across the world. With the opening up of Foreign Direct Investment (FDI) in several sectors, the country is an eye catching destination for overseas investors. Further recent changes in regulations for portfolio investors via the new Foreign Portfolio Investment (FPI) option puts India at par with the best countries from a market entry perspective.

We at Deutsche Bank AG are privileged to have participated in industry efforts to develop the Indian capital markets over the years including the recent FPI regulations. As we celebrate our 20th anniversary as a custodian in India, it is a great honor to present this book which will be your ready reckoner as India beckons. This book focuses on all the procedural aspects required for Foreign Investors to commence their investments into India, mainly focusing on the FPI option. As the largest Custodian in India servicing Foreign clients supported by the best team of experts, it is only befitting that this book, a first of its kind in the industry, is being released to commemorate the completion of 20 years in India.

Many congratulations to the team who put together this book and sincere thanks to our clients, partners and others who have contributed to the contents and printing of this book.

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Dated September 16, 2014

Preface

As the Indian economy is poised to grow stronger, India is increasingly becoming one of the most attractive investment destinations among the emerging markets. As investors look to increase their focus on India, the economic leadership is committed to ensure safe and stable financial markets, with world class processes and governance.

The "speed, consistency and ease" of market entry is crucial determinant for attracting foreign capital flows, particularly where many emerging economies are competing for the finite capital available.

As a member of the Working Group of Foreign Investments, we had recommended that a universal entry model into India for all categories of investors be made available while laying a strong emphasis on Know Your Client norms. The enabling regulatory framework has been established through the Securities and Exchange Board of India Foreign Portfolio Investors (FPI) Regulations 2014.

"Namaste India ! - Guidebook for Foreign Portfolio Investments" is a very lucid yet exhaustive guide on the procedural aspects for accessing the Indian markets as a foreign portfolio investor. Thanks to the Deutsche Bank team for this commendable effort.

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Chapter 1 Introduction

India is one of the most attractive emerging economies in the world and, with its young demographics has the potential to become a major economic powerhouse in the foreseeable future. Indian economy is widely expected to be heading towards a virtuous cycle, following the recent decisive mandate during national elections for a strong single party government.

Following the election mandate, expectations of an economic turnaround have risen significantly. With the new government having been elected on the pledge of economic development and good governance, and even more importantly without the need to work with coalition partners with differing economic ideologies, there may be an accelerated focus on economic reform.

Macroeconomic indicators are showing cyclical turnaround. A robust pickup seen in industrial sector GDP growth for April-June 2015, may push the headline GDP growth higher by about 100bps than the previous quarter's outturn (4.6%yoy). GDP growth during first quarter of FY2015 is expected to rise to highest level in eight quarters. Analysts expect leading companies to post fourth straight quarter of double digit growth in key metrics, underscoring positive outlook on Indian equities.

With economic growth revival now emerging as government's core political strategy, the economic roadmap is expected to focus on the following:

— An urgent shift from an excessive focus on consumption to investments, i.e. increase savings - particularly household and corporate savings

— Structural reforms on reviving investment in labour-intensive manufacturing and focus on job creation

— Combating inflation through monetary, supply-side and government executive decisions

— Creating an environment of positive real interest rates to channel household savings from physical to financial assets

— Liberalizing foreign direct investments to fund the domestic savings investment gap

Confidence in the revival of India's economy to a high growth trajectory and heightened interest from global investment community, has resulted in significant increase in capital inflows into the India's equity and debt markets over the last quarter. Capital inflows from foreign investors are expected to continue to grow in the medium term.

India remains a current account deficit country due to its large energy imports and this underpins the institutional focus on inward capital flows into India. The policy framework therefore will continue to evolve with attracting foreign investments being a key objective.

1.1. Background

A key development in the policy around foreign investments was initiated by the Government of India by setting up the Working Group on Foreign Investments (WGFI) under the leadership of Shri U.K. Sinha, which focused on the regulatory structure, process, and instruments through which capital flows are regulated in India. In July 2010, the WGFI proposed rationalization in the capital flows management regulations by introducing a single window for registration and administration of portfolio investments. This led to the introduction of QFI regulations and the subsequent setting up of Shri K.M.Chandrasekhar committee for harmonization of entry models, which resulted in development of the universal India-entry model for portfolio investors – the Foreign Portfolio Investors (FPI) Regulations.

The investment model for foreign investors has thus evolved from the erstwhile FII, QFI structure to the harmonized FPI model. SEBI's efforts in introducing efficiency have also resulted in a simplified market entry process and a risk-based KYC approach.

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

1.2. Navigation through this guide

— The document provides a context to the FPI model by sharing a summary information section on the Indian securities market and the various prevalent investment routes into India, as Chapters 2 and 4

— Comprehensive information on the process of market entry and some key comparisons with the erstwhile FII model are available in Chapters 5 and 6

— A detailed note on the revised Know-Your-Client (KYC) framework, with the risk-based approach, categorization aspects etc, is included in Chapter 7

— Investment guidelines applicable to the FPI route are described in Chapter 8. This section includes information on debt, equity and other permitted instruments, investment platforms, limits etc.

— Chapter 5 covers important transition aspects applicable for existing investors moving from the extant FII/Sub-account/QFI mode to the new FPI status

— Guidelines related to remittance and bank account operation in India are covered in Chapter 9

— Overview of the clearing & settlement environment in the Indian securities market is available as Chapter 3. FPIs experience the same highly developed and stable clearing & settlement structure, as domestic participants in the market. This section provides summary information, designed to convey key aspects

— Chapter 10 delineates currency hedging guidelines, important for foreign investors

— An indicative discussion on the applicable tax structure is provided in Chapter 11. The information included is of exploratory nature only, as actual tax applicability will differ on case to case basis depending on various factors

Chapter 2 Securities market in India - Overview

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

2.1. Market: Participants and Components

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

India follows the segregated account structure i.e. the Beneficiary ID model, whereby securities and cash are held and transacted at the beneficiary level.

Securities are broadly categorised into:

1. Shares / scrips / stocks, bonds, debentures, convertible instruments or other marketable securities of a like nature in or of any incorporated company or body corporate;

2. Government securities;

3. Rights or interest in securities;

The securities market has two interdependent segments, the new issues (primary market) and the stock (secondary) market.

— Primary market: To raise capital resources, corporate entities issue debt and/or equity instruments (shares, debentures, etc.), while the governments (central and state governments) issue debt securities (dated securities, treasury bills). Primary market features ‘public issues’ which can be accessed by all categories of investors, and ‘private placements’, where the issuance is done to select people/entities.

— Secondary market: refers to a market where securities are traded after being initially offered to the public in the primary market and/or listed on the Stock Exchange. Majority of the trading is done in the secondary market (both equity & debt). The secondary market has further two components;
  — Over-the-counter (OTC) market is informal markets where trades are negotiated and securities are traded for immediate delivery and payment.
  — Exchange-traded market are where trades are executed on Stock Exchanges and cleared & settled by a clearing corporation which provides novation and settlement guarantee.

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

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

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

Derivatives market:

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

Derivatives are formally defined as:

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

2.2. Legal Framework

Important legislations governing the securities market in India are:

1. Companies Act, 1956 (amended 2014): This provides a code of conduct for the corporate sector in relation to issue, allotment and transfer of securities, and disclosures to be made in public issues. The Act also regulates underwriting, the use of premium and discounts on issues, rights and bonus issues, payment of interest and dividends, supply of annual report and other information.

2. SEBI Act, 1992: The SEBI Act established the Securities & Exchange Board of India (SEBI) to protect investors and develop & regulate securities market. Regulatory jurisdiction extends over corporate in the issuance of capital and transfer of securities, in addition to all intermediaries and persons associated with securities market. SEBI has powers to conduct enquiries, audits and inspection of all concerned and adjudicate offences under the Act to penalize them in case of violations of the provisions of the Act, Rules and Regulations made there under.

3. Securities Contracts (Regulation) Act, 1956 (SCRA): It provides for regulation of transactions in securities through control over stock exchanges. It gives Central Government regulatory jurisdiction over (a) stock exchanges through a process of recognition and continued supervision, (b) contracts in securities, and (c) listing of securities on stock exchanges.

4. Depositories Act, 1996: It provides for the establishment of depositories in securities market with the objective of ensuring free transferability of securities with speed, accuracy and security. It ensures electronic maintenance & transfer of ownership of dematerialized (Demat) securities.

- It provides for all securities held in depository to be dematerialised and in a fungible form
- It enables the depository to be the registered owner of the securities in the books of the issuer
- Depository shall maintain a register and index of beneficial owners
- Depository as the registered owner shall not have any voting rights or any other rights in respect of securities held by it
- Beneficial owner shall be entitled to all rights and liabilities in respect of his securities held by a depository

5. Exchange Control Manual (ECM) of RBI and the FEMA, 1999: The ECM of RBI stipulated the regulations that governed for foreign exchange transactions in India till May 2000.
   In May 2000, the regulations under FEMA 1999 came into force and all notifications regarding foreign exchange transactions since are prescribed under FEMA.

6. Prevention of Money Laundering Act, 2002: The PMLA provides the basic statutory framework for identification of customers, transaction records, anti-money laundering measures, monitoring & reporting requirements etc. PMLA defines the broad structure under which KYC and related regulations from SEBI and RBI which are applicable in the securities market are framed.

7. Rules, regulations and bye-laws of the stock exchanges.

8. Key statutes applicable for foreign investors also include -
   — Foreign Exchange Management Act (FEMA), 1999
   — Exchange Control Manual of RBI
   — SEBI Foreign Portfolio Investors Regulations, 2014
   — SEBI Regulations applicable to key market intermediaries such as Custodians, Stock-brokers and regulations governing investor classes - such as foreign investors (SEBI Foreign Portfolio Investors Regulations, 2014), Mutual Funds/ collective investment schemes, Alternative Investment Funds, Portfolio Manager etc.

Government of India
Ministry of Finance, Dept.of Economic Affairs (DEA) ← | Policy Direction

Reserve Bank of India RBI | Securities and Exchange Board of India SEBI | Insurance and Regulatory Development Authority IRDA ← | Regulatory Supervision

Banks | Depositories | Clearing Corporations | Stock Exchange ← | Market Infrastructure

Clearing Bank | Clearing Members | Custodian | Depository Participants | Brokers ← | Market Intermediaries

Investors ←
— Over 8000 foreign portfolio investors (FPIs/FIIs/sub - accounts/QFIs)
— 44 active Mutual funds
— 52 Life & General insurance companies
— Large retail, HNI and corporate investor base

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

1. Department of Economic Affairs (DEA),
2. Department of Company Affairs (DCA),
3. Reserve Bank of India (RBI) and
4. SEBI

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

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

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

2.3. Capital Market overview

Regulators	— Reserve Bank of India (RBI) — Securities and Exchange Board of India (SEBI)
Stock Exchanges & CCPs	— National Stock Exchange (NSE) & National Securities Clearing Corp.Ltd. (NSCCL) — Bombay Stock Exchange (BSE) & Indian Clearing Corp.Ltd. (ICCL) — MCX Stock Exchange (MCX-SX) & MCX-SX Clearing Corp. Ltd. — 17 regional exchanges.
G-Sec Market	— Negotiated Dealing System-Order Matching (NDS-OM) for trading, reporting — Clearing Corporation of India Ltd. (CCIL) for clearing & settlement
Depositories	— National Securities Depository Limited (NSDL) — Central Depository Services (India) Limited (CDSL) — Reserve Bank of India
Market Participants	Brokers, Custodians, Foreign Portfolio Investors, domestic asset management companies, Insurance companies, Banks, Financial Institutions, Local Corporations & Retail Investors
Market Instruments	— Equities — Preference shares — Corporate and Government bonds — Debentures and securitized debt instruments — Mutual funds/ ETF — Derivatives — Indian Depository Receipts — Liquid & Short term instruments — Treasury bills — Commercial paper — Certificates of deposit
Market Statistics	— Market Capitalization — BSE: USD 1,531 billion (Aug-2014) — NSE: USD 1,498 billion (Aug-2014) — Total Forex reserves: USD 319 billion (8 Aug-2014) — Debt limits for Foreign Portfolio Investors — Government securities: USD 30 billion — Corporate Debt: USD 51 billion

2.4. Trading guidelines overview

Settlement Currency	Indian Rupee (INR) - Convertible (on-shore)
Trading Hours	— Equity markets operate from Monday - Friday: 9:15 am - 3:30 pm (Pre-open call session - 9:00 am to 9:15 am). SLB segment for Securities Lending & Borrowing and Debt segment for corporate bonds also follows the same schedule — Currency derivative segment operates from 9:00 am - 5:00 pm — NDS-OM: Government Securities (G-Sec) market - from 9:00 am - 5:00 pm.
Settlement Cycle	T+2 for Equities T+1 for SLB T+1 for Government securities T to T+2 for Corporate bonds
Account Structure	Segregated Securities Account Segregated Cash Account
Short Selling	Permitted - under the Securities Lending & Borrowing (SLB) regulation
Lock-in Period	None for equities. Specific debt instruments may include lock-in
Trade Pre-matching	Available
Fail Trades	Forced buy-in will be conducted by the exchange and penalties will be levied
Securities Lending	Available. Foreign investors can only borrow for delivery into short sales

2.5. Regulatory Structure

Market Regulators

The various regulatory bodies in the country are:

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

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

The Ministry comprises the following Departments:

1. Department of Economic Affairs
2. Department of Expenditure
3. Department of Revenue
4. Department of Financial Services
5. Department of Disinvestment

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

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

Ministry of Finance and Company Affairs
Department of Economic Affairs
North Block, New Delhi

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

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

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

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

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

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

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

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

(D) Stock Exchange Supervision

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

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

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

*FII/FPIs are not permitted to invest in Certificates of Deposits

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

2.6. Asset Classes

2.6.1 Securities Identification

ISIN (International Securities Identification Number) is the standard code for identification of securities in India. The National Securities Depository Limited (NSDL) is appointed as the National numbering agency in India.

However for the purpose of booking trades on the stock exchange scrips are also identified by the stock codes.

2.6.2 Fixed Income

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

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

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

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

Government Securities (G-Secs)

- G-Secs are medium to long term instruments issued by the Reserve Bank of India (RBI) on behalf of the Government of India (GoI) to finance the fiscal deficit of India.
- They are issued in bearer form but a holder also has an option of get them registered.
- Most G-Secs are fixed income securities; however instruments like zero coupon bonds and floating rate bonds and inflation indexed bonds have also been introduced.
- The securities are held in book-entry form with the RBI.
- There is an option to hold the securities in electronic form with the Depositories (NSDL and CDSL) as well.
- Negotiated Dealing System - Order Matching (NDS-OM)

Most of the deals in the g-sec happens in the OTC market. However these deals need to be reported and settled through the Negotiated Dealing System- Order Matching (NDS-OM) reporting module by the Primary Members on behalf of clients.

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

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

Corporate Bonds and Debentures

- Corporate bonds are issued with a variety of features.
- Secured, unsecured debentures with maturity of 18 months are required to have a specified credit rating provided by approved credit rating agencies.
- Corporate bonds are available in physical as well as in dematerialised form. FIIs/ FPIs are permitted to trade in corporate bonds in the dematerialised mode only.
- Corporate bonds are transferable by means of a registration process similar to equities.
- Transfer of ownership of corporate bonds in physical form is by use of transfer deed and the certificates need to be registered with the issuer.
- All publicly issued debentures are listed on exchanges.

Floating Rate Bonds (FRBs)

- FRBs are short to medium term interest bearing instruments.
- They are issued by financial intermediaries and local corporates.
- The typical maturity of these bonds is 3-5 years.
- FRBs issued by financial institutions are generally unsecured while those from private corporates are secured.
- FRBs are pegged to different reference rates such as 364-days T-bills or bank deposit rates.
- FRBs issued by the GoI are in the form of stock certificates or by credit to SGL accounts maintained with the RBI

Zero Coupon Bonds (ZCB)

— ZCBs pay no interest during the lifetime of the bond as they are sold at a discount to reflect yields.
— At maturity, the bonds holders are paid the full face value.

Commercial Paper

— Commercial Paper (CP) is a short term Rupee denominated and unsecured negotiable promissory note issued by Indian corporates, Primary Dealers (PDs) and Financial Institutions (FIs).
— With effect from June 2001, financial institutions were permitted to make fresh issuance and hold CPs in dematerialised form only.

Certificates of Deposit

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

2.6.3 Equities

— Ordinary Equity Shares
— Preference Shares
— Warrants

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

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

2.6.4 Derivatives

— Index Futures
— Index Options
— Individual Stock Futures and Options
— Interest Rate Derivatives
— Currency Derivatives

2.6.5 Other Instruments

- Mutual Fund Units (MFs)
- Pass Through Certificates (PTCs)
- Exchange Trade Funds (ETFs),
- American/ Global Depository Receipts (ADRs/GDRs)
- Indian Depository Receipts (IDRs)
- Securities receipts issued by securitisation companies or asset reconstruction companies under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.
- Tier 1 and Upper Tier II capital hybrid instruments issued by banks
- Units issued by a Collective Investment Scheme (CIS)
- Foreign Currency Exchangeable Bonds (FCEBs)

2.7. Foreign Exchange

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

- FX transactions must be booked through Authorised Dealers(AD) of RBI. Forward covers are now permitted with AD banks other than the designated AD banks of the investor.
- Registered foreign investors (FII/FPIs) are permitted to convert foreign currency only for the purpose of securities transactions

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

Chapter 3 Clearing and Settlement Environment

3.1. Introduction

Securities markets in India has witnessed several innovations in clearing and Settlement mechanism which includes use of (i) State of Art Information Technology (ii) Compression of Settlement Cycle (iii) Dematerialization & Electronic Transfer of Securities (iv) Securities Lending and Borrowing (v) Efficient Risk Management Systems (vi) Clearing Corporations for Counterparty Risk Management.

Besides the above, stock exchanges in India were following a system of account period settlement for cash market transactions and then the T+2 rolling settlement was introduced for all securities. In the T+2 settlement pay-in and pay-out of funds as well as securities take place 2 working days after the Trade. Movement of securities has become almost instantaneous in the dematerialised environment with depositories National Securities Depositories Ltd. (NSDL) and Central Depositories Services Ltd. (CDSL) providing electronic transfer of securities.

Clearing and Settlement

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

The core functions involved in the Settlements are:

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

3.2. Equities

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

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

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

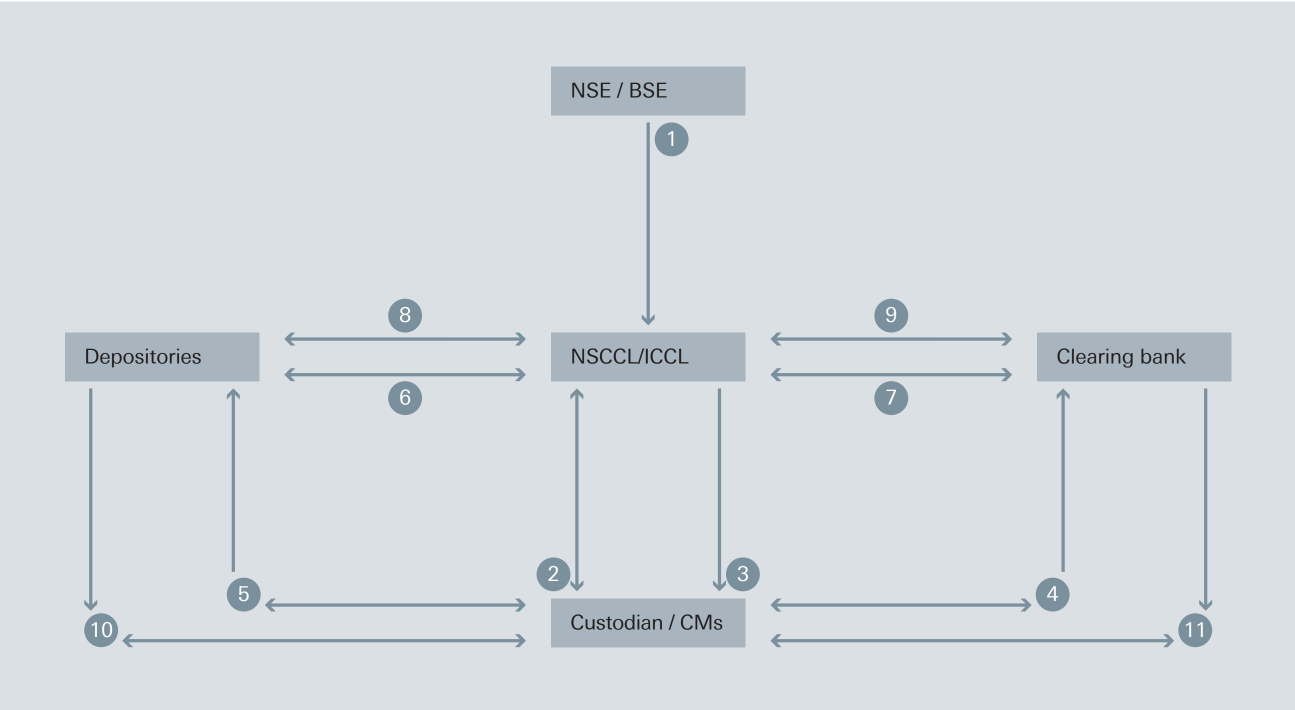
Custodians: Clearing member settles trades assigned to him by trading members

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

Depositories: Depositories help in the settlement of the dematerialised securities

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

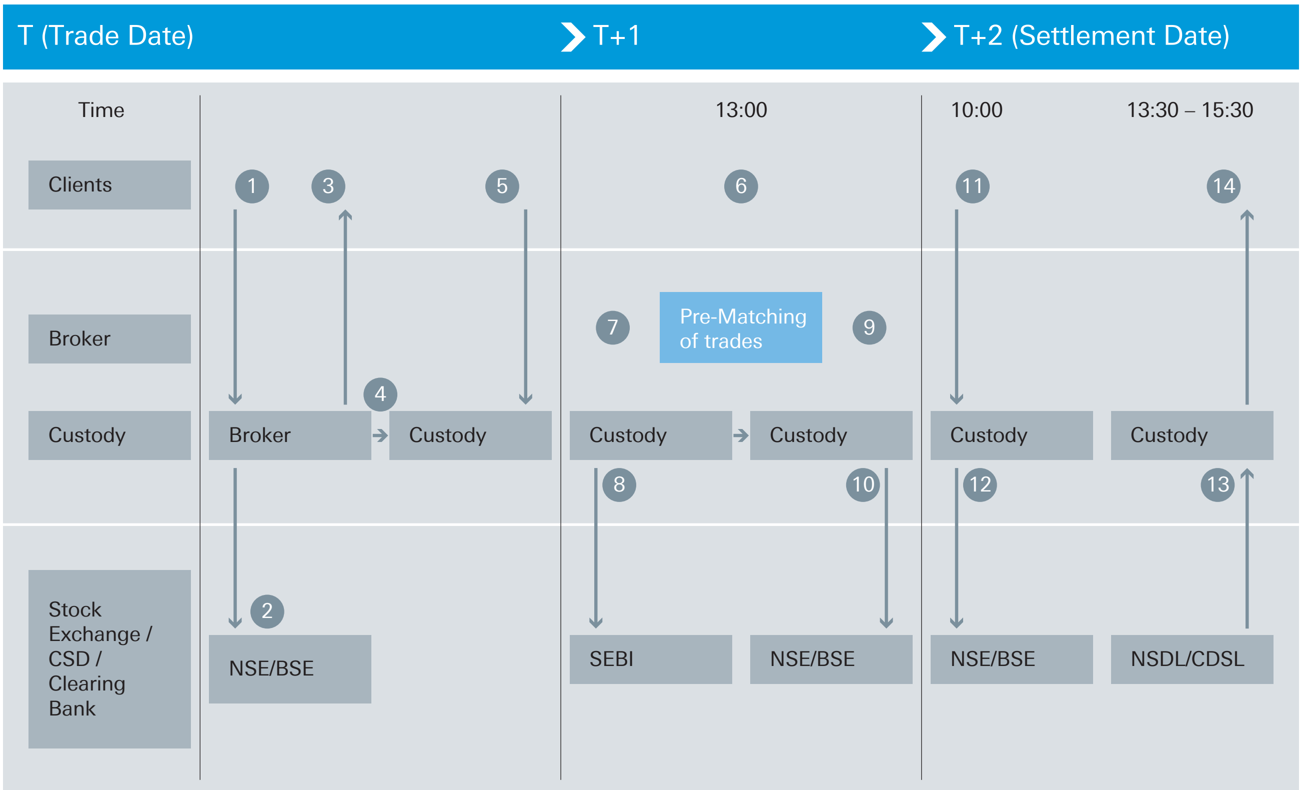
Settlement Process in Capital Market Segment



Numbers denote a process flow sequence

Settlement Flow - Equities

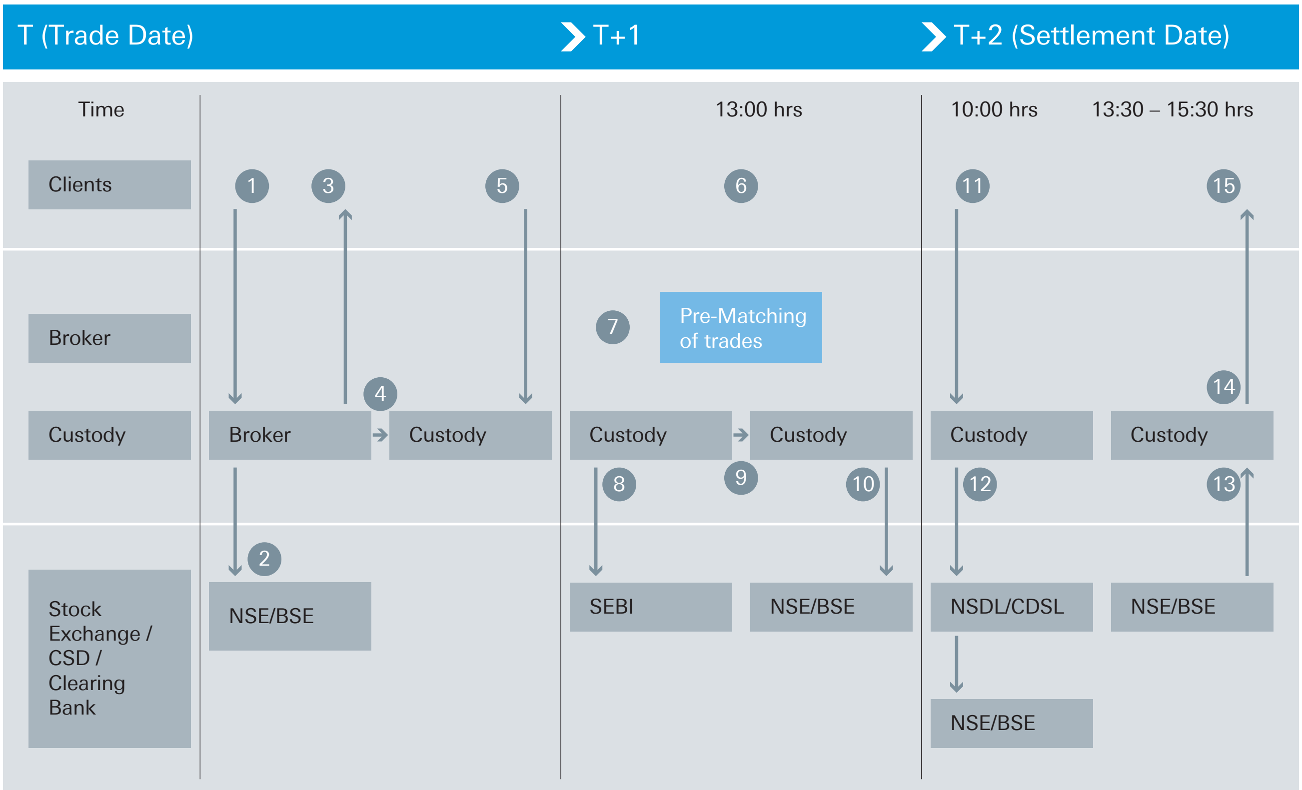
Settlement Flow - Equity Purchase Trade



Legend:

1. Trade Instruction to broker
2. Trade Executed by broker on the exchange
3. Trade confirmation sent by broker to the client
4. Contract Note received on T
5. Settlement Instruction by 19.30 hrs on T from the client
6. Client to arrange for funds towards margin / full settlement (early pay-in)
7. Pre-matching done and Trade confirmation by 13.00 hrs,T+1 by Custody
8. Reporting to SEBI
9. Client account debited for margin/ early pay-in proceeds
10. Pay margins / Early pay-in to clearing bank
11. Debit Net settlement amount from client's account by T+2, 10:00 hrs (Unless client has opted for early pay-in)
12. Payment to clearing bank
13. Payout of securities via depositories. Margin released.
14. Settlement confirmation to client

Settlement Flow - Equity Sale Trade



Legend:
1. Trade Instruction to broker
2. Trade Executed by broker on the exchange
3. Trade confirmation sent by broker to the client
4. Contract Note received on T
5. Settlement Instruction by 19:30 hrs, T from the client
6. Client to arrange for margin proceeds / Instruct for early pay-in
7. Pre-Matching and Trade confirmation by 13:00 hrs, T+1
8. Reporting to SEBI
9. Client account debited for margin (unless client opts for early pay-in)
10. Margin paid / Early pay-in
11. Debit securities from client’s account by T+2, 10:00 hrs (Unless client has opted for early pay-in)
12. Pay-in by 10:00 hrs to depositories
13. Payout of funds via clearing bank. Margin released.
14. Credit of Proceeds to clients’ account
15. Settlement confirmation to client

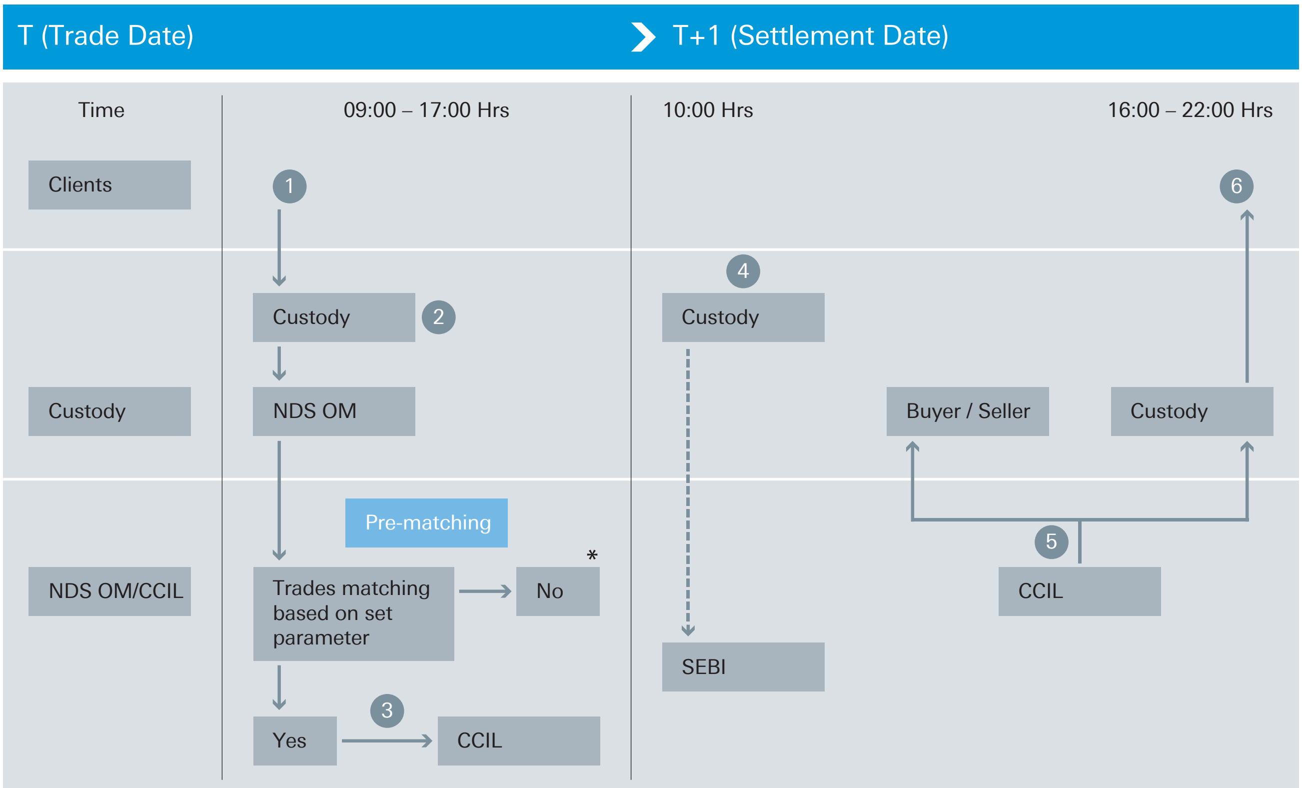
3.3. Fixed Income

On the NSE, trades in G-Secs are executed under the Wholesale Debt Market (WDM) Segment or under the Retail Debt Market Segment. On BSE, such securities are traded under the Debt Market Segment or under the Retail Debt Market Segment. Accordingly, clearing and settlement of such trades is governed by the bye-laws, rules, regulations, and related circulars of these segments. The trading mechanism for trades in the Retail Debt Market (RDM) segment for both the NSE and the BSE is identical to the one used for equity transactions. Trades in government securities executed on WDM segment of NSE and BSE Ltd Debt Segment are routed through CCIL.

Government Securities - The actual settlement of funds and securities are affected directly between participants or through Reserve Bank of India (RBI). All trades in government securities are reported to RBI-SGL through the Negotiated Dealing System (NDS) of RBI, and Clearing Corporation of India Limited (CCIL) provides settlement guarantee for transactions in government securities including repos.

Settlement of all outright secondary market transactions in government securities was standardized to T+1. In case of repo transactions in government securities, first leg can be settled either on T+0 basis or T+1 basis.

Settlement Flow – G Sec Transactions



Legend:
NDS-OM: Negotiated Dealing System Order Matching platform of RBI
CCIL: Clearing Corporation of India responsible for settling trades on NDS platform.

1 : Trade details sent to custodian
2 : Reporting (by buyer and seller) of trades on NDS-OM within 15 minutes of trade execution
3 : Transfer of trades to CCIL / RBI for settlement
4 : Debit settlement amount from client’s account and make payment to the RBI by 10:00 hrs
5 : Transfer and confirmation of settlement of cash and stock.
6 : Settlement confirmation
* - Trades remain unmatched in the NDS OM platform and are cancelled at the end of the day.

RBI as depository of Government Securities

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

a. Physical form: Government securities may be held in the form of stock certificates. A stock certificate is registered in the books of PDO. Ownership in stock certificates can not be transferred by way of endorsement and delivery. They are transferred by executing a transfer form as the ownership and transfer details are recorded in the books of PDO. The transfer of a stock certificate is final and valid only when the same is registered in the books of PDO.

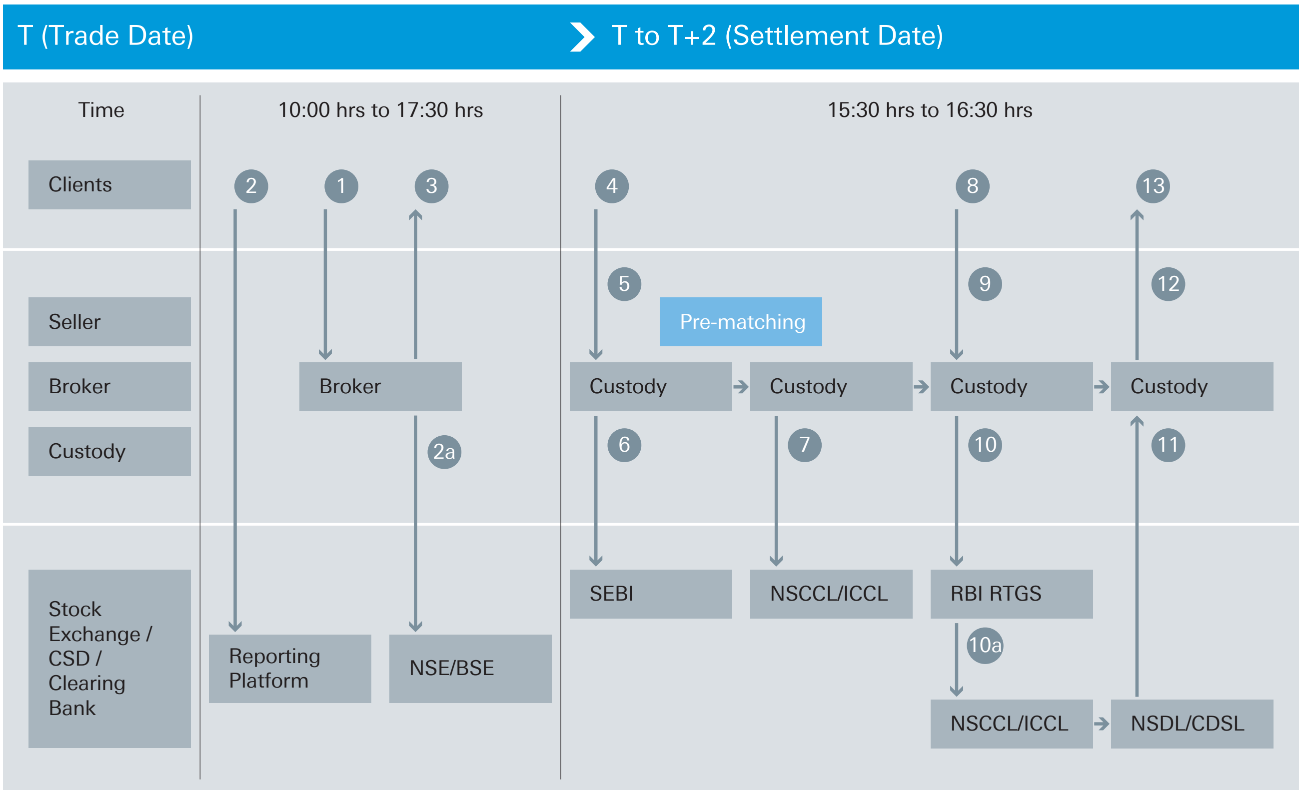
b. Demat form: Holding government securities in the dematerialized or scripless form is the safest and the most convenient alternative as it eliminates the problems relating to custody, viz., loss of security. Besides, transfers and servicing are electronic and hassle free. The holders can maintain their securities in dematerialised form in either of the two ways:

   i. SGL Account: Reserve Bank of India offers Subsidiary General Ledger Account (SGL) facility to select entities who can maintain their securities in SGL accounts maintained with the Public Debt Offices of the Reserve Bank of India.

   ii. Gilt Account: As the eligibility to open and maintain an SGL account with the RBI is restricted, an investor has the option of opening a Gilt Account with a bank or a Primary Dealer which is eligible to open a Constituents' Subsidiary General Ledger Account (CSGL) with the RBI. Under this arrangement, the bank or the Primary Dealer, as a custodian of the Gilt Account holders, would maintain the holdings of its constituents in a CSGL account (which is also known as SGL II account) with the RBI. The servicing of securities held in the Gilt Accounts is done electronically, facilitating hassle free trading and maintenance of the securities. Receipt of maturity proceeds and periodic interest is also faster as the proceeds are credited to the current account of the custodian bank / PD with the RBI and the custodian (CSGL account holder) immediately passes on the credit to the Gilt Account Holders (GAH).

Corporate Bonds - The settlement of corporate bonds are conducted through NSCCL and ICCL - the clearing corporations of the National Stock Exchange and Bombay Stock Exchange respectively. They provide a facility for settlement of deals in corporate bonds. The settlements of corporate bond trades shall be carried out between Monday to Friday for three settlement cycles viz., T+0, T+1 and T+2.

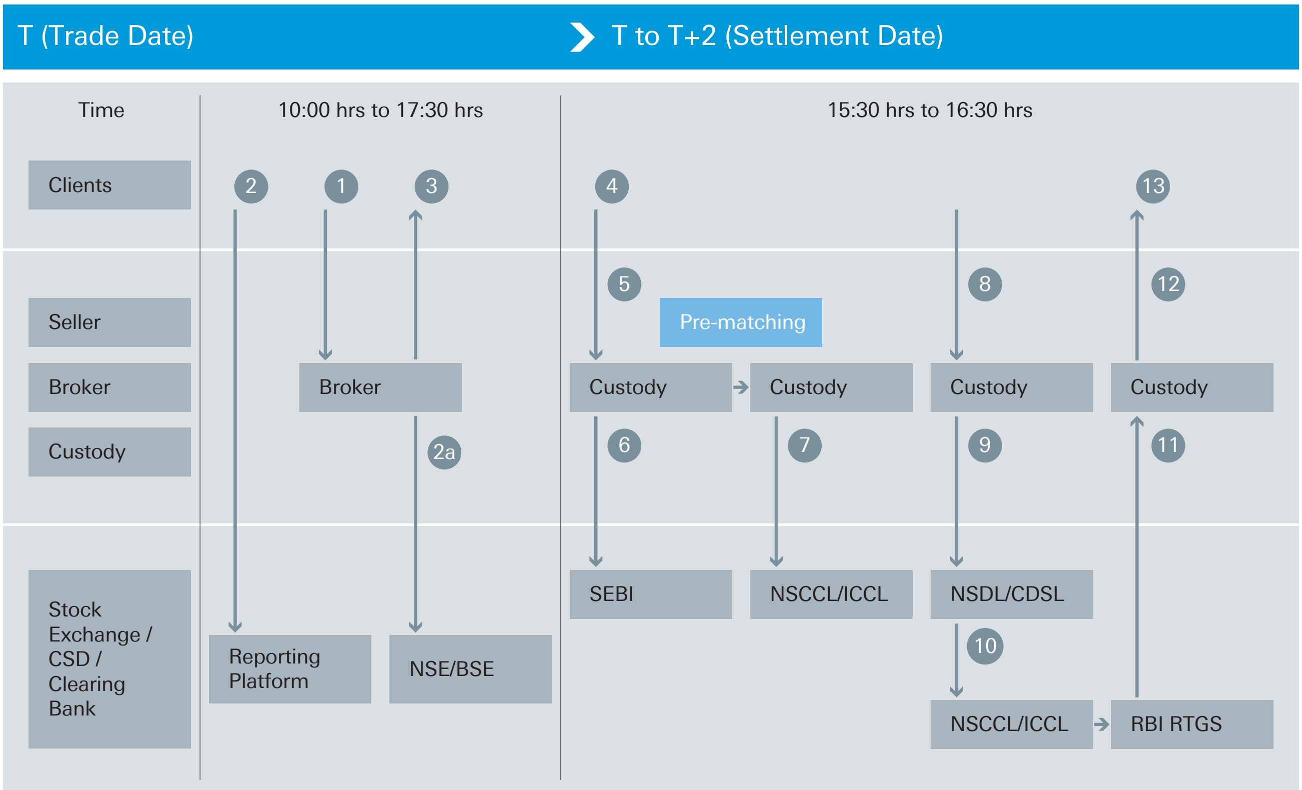
Settlement Flow - Purchase Trade Corporate Bonds



Legend:
NSE: National Stock Exchange; NSCCL: National Securities Clearing Corporation Limited
BSE: Bombay Stock Exchange; ICCL: Indian Clearing Corporation Limited

1. Trade Instruction from client to broker
2. Trade Reporting on exchange reporting platform
   2a. Broker reports trade to the exchange
3. Trade Confirmation to client along with broker contract note
4. Settlement instruction by 12 noon (T day settlement);
   by 18:00 hrs on SD-1 (for T+1 / T+2 settlement)
5. Matching done between client instructions and entry on the bond reporting platform
6. Reporting to SEBI
7. Trade confirmation done by 14:00 hrs to NSCCL and 15:00 hrs to ICCL
8. Client to ensure adequate funds in account
9. Debit settlement amount from client’s account
10. Pay-in of funds via RBI RTGS
    10a. Settlement effected via clearing corporations
11. Delivery of Bonds
12. Credit of bonds to clients account
13. Settlement confirmation sent to client

Settlement Flow - Sale Trade Corporate Bonds



Legend:
NSE: National Stock Exchange; NSCCL: National Securities Clearing Corporation Limited
BSE: Bombay Stock Exchange; ICCL: Indian Clearing Corporation Limited

1. Trade Instruction from client to broker
2. Trade Reporting on exchange reporting platform
   2a. Broker reports trade to the exchange
3. Trade Confirmation to client along with broker contract note
4. Settlement instruction by 12 noon (T day settlement); by 18:00 hrs on SD-1 (for T+1 / T+2 settlement)
5. Matching done between client instructions and entry on the bond reporting platform
6. Reporting to SEBI
7. Trade confirmation done by 14:00 hrs to NSCCL and 15:00 hrs to ICCL
8. Debit client securities account for pay-in of bonds
9. Pay-in of securities
10. Settlement effected via clearing corporations
11. Payout of funds via RBI RTGS
12. Credit of funds to clients account
13. Settlement confirmation sent to client

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

3.4. Derivatives Segment

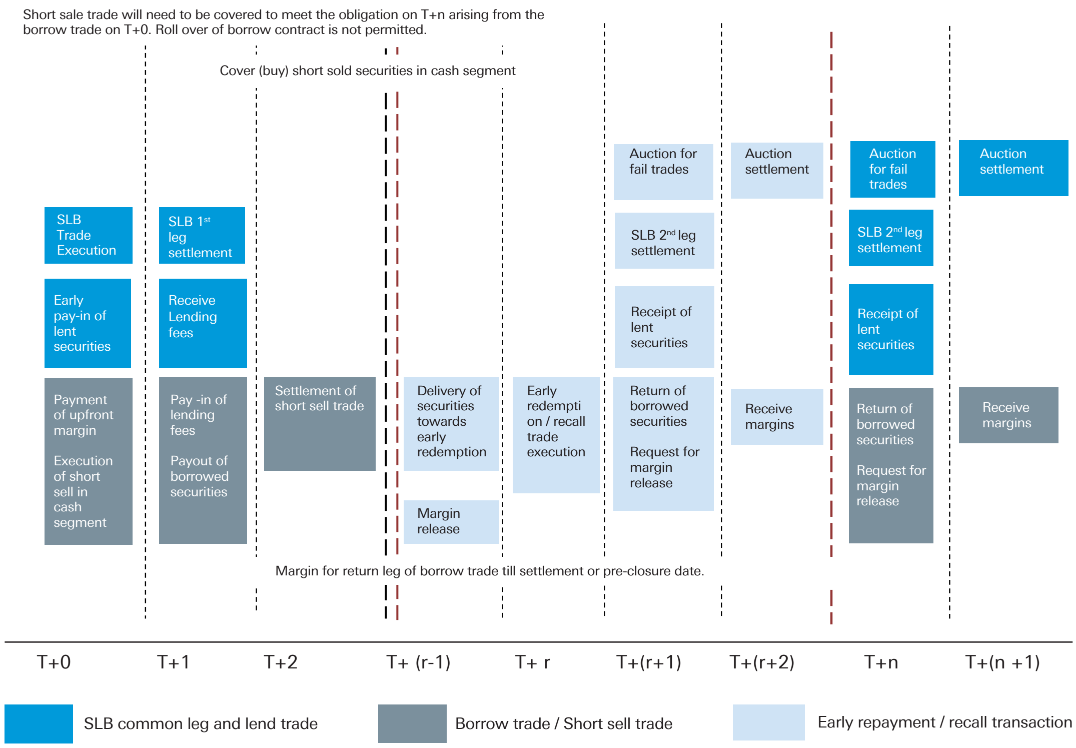
— Equity Derivatives – NSCCL / ICCL are the clearing and settlement agencies for all deals executed on the Derivatives (Futures & Options) segment. They act as legal counter-parties to all deals on F&O segment and guarantee settlement

— Currency Derivatives – NSCCL / ICCL are the clearing and settlement agencies for all deals executed on the Currency Derivatives segment. They act as legal counter-parties to all deals on Currency Derivatives segment and guarantee settlement

3.5. Securities Lending & Borrowing

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

SLB Trade Flow - Operational Model



3.6. Risk Management - Overview

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

Margin – Key part of the risk management system is Margin, with uncertainty in stock price movement leads to risk which is addressed by margining system of stock markets. Daily margin comprising as below:

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

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

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

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

Settlement Guarantee Fund – Settlement Guarantee Fund provides the cushion for any residual risk. It operates like a self-insurance mechanism where members contribute to the Fund. In the event of failure of a trading member, the Fund is utilized for successful completion of the settlement which eliminates counter-party risk of trading on the Exchange.

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

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

3.7. Margins

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

Types of margins levied

The following margins are being levied on institutional trades from April 21, 2008 on a T+1 basis:

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

3.7.1 Margins in cash market

- VaR and ELM - The VaR and ELM margins are applied by the stock exchanges at end of day on T+1 on the custodian. The custodian is required to collect these margins in turn from the clients
- MTM margins - MTM margins as applicable at the end of T+1 day are also payable. MTM margin can be paid by 9.30 am (Indian Standard Time) on T+2 day
- Netting of Margins - Netting between the margins paid to the stock exchanges on T+1 and the settlement proceeds to be paid on T+2 is permitted. Under the netting facility, the settlement obligation is determined on a net basis after deducting the cash margins paid by the institutional investor This benefit will not be available if non-cash margins (Fixed Deposits, Bank Guarantee or approved securities) are placed by the investor as margin
- Early pay-in - Institutional investors are permitted to make early pay-in of funds and securities to avoid margins on trades. Trades for which early pay-in has been effected, will not be subject to the margins prescribed above
- The trades of FPIs in Category I & II shall be margined on a trade date +1 (T+1) basis in accordance with existing norms

— FPIs in Category III that are corporate bodies, individuals or family offices shall be margined on an upfront basis (i.e. T+0), as per the extant margining framework for the non-institutional trades i.e. Client will have to pre-fund their account to the extent of applicable margins before taking position in the market on T day. Other types of Category III investors shall experience the same margin mechanism as Cat I & II

3.7.2 Margins in SLB Segment

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

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

3.7.3 Margins in exchange Debt Segment

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

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

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

3.7.4 Margins in G-Sec market

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

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

3.7.5 Margins in Derivative segment

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

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

Initial Margin

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

1) Client positions is netted at the level of individual client and grossed across all clients, at the Trading / Clearing Member level, without any setoffs between clients.

2) Proprietary positions is netted at Trading / Clearing Member level without any setoffs between client and proprietary positions.

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

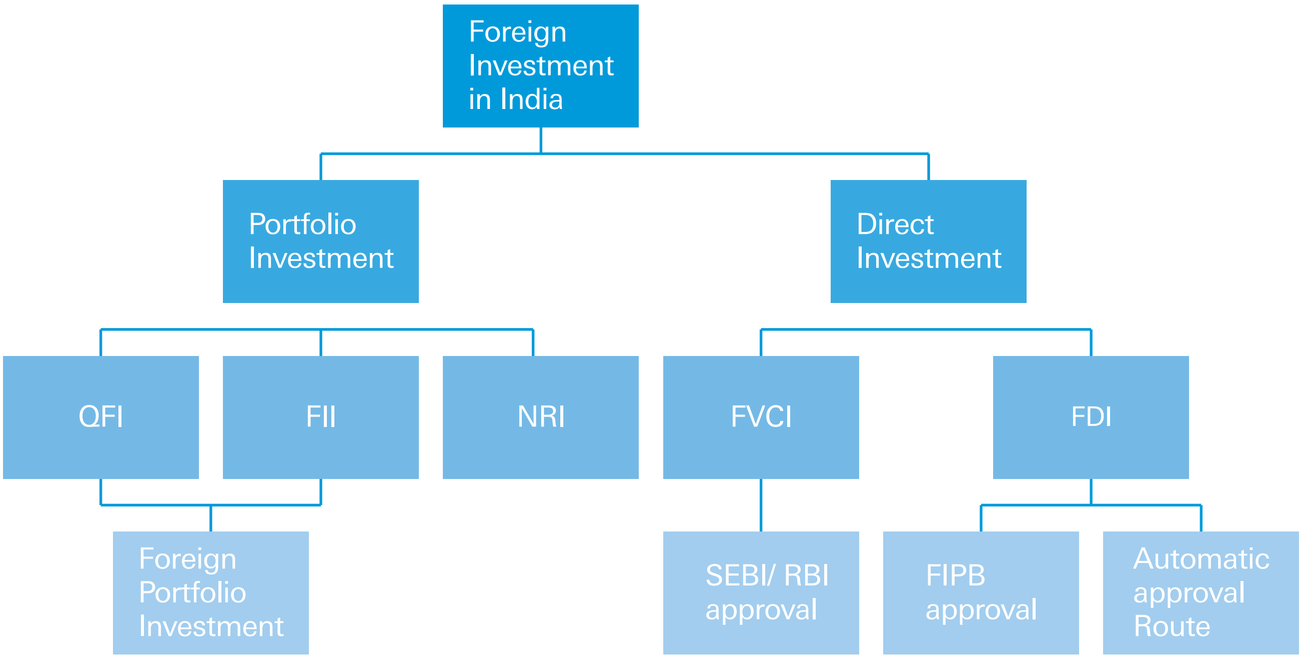
Chapter 4 Investment Routes into India

4.1. Foreign Investment Avenues

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

— As FPIs which are entities established or incorporated outside India, which propose to invest in Indian securities
— As a Non-Resident Indian (NRI) who is defined as 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
— As Foreign Direct Investments (FDI) wherein investments can be made subject to prior approval from the Reserve Bank of India (RBI)/ automatic investment route as mandated by the Government of India (GoI) from time to time
— As Foreign Venture Capital Investors (FVCI) for investments in venture capital undertakings, after obtaining a license from the SEBI and the RBI

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



This guide-book is designed to provide an overview of all investment routes including FDI and FVCI, and further covers all aspects related to FPI - Foreign Portfolio Investments - in a detailed manner.

4.2. Key Aspects

Foreign Portfolio Investor (FPI)

— A harmonized route, which came into effect from June 1, 2014, which merged the two existing modes of investment i.e. Foreign Institutional Investor (FII) and Qualified Foreign Investor (QFI)
— No SEBI Registration required. Market entry through Custodian, who executes market registration process on behalf of SEBI in its role as a Designated Depository Participant (DDP)

- All existing Custodians grandfathered as DDPs
- Categorization model for implementation and KYC
- Registration Fees to be paid for block of 3 years, for all investors, while a one-time Conversion Fee applies for existing FIIs and sub-accounts moving to FPI status
- Individual investment limit of 5% equity in any company, and a composite limit of 10% overall

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

- Only for entities eligible as NRI/PIO as per Government guideline
- Custodian not compulsory
- Investment in Listed securities and other permissible options
- Individual Limit of 5% equity in any company, and a composite limit of 10% overall
- Uniform KYC guidelines applicable

Foreign Direct Investment (FDI): For strategic investments

- Sectoral entry rules - Automatic or FIPB (Foreign Investment Promotion Board- Commerce Ministry) approval
- No SEBI registration or approval. RBI guidelines are applicable for entry, exit, pricing, shareholder agreements etc.
- Custodian not Compulsory, although typically used
- Private placements of listed / unlisted equity, CCDs; IPOs not allowed

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

- SEBI Registration required
- Custodian is compulsory
- Limited secondary market purchases, exits permitted
- Investment through IPO permitted (Qualified Institutional Buyer -QIB status)
- Sectoral guidelines applicable

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

Depository Receipts

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

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

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

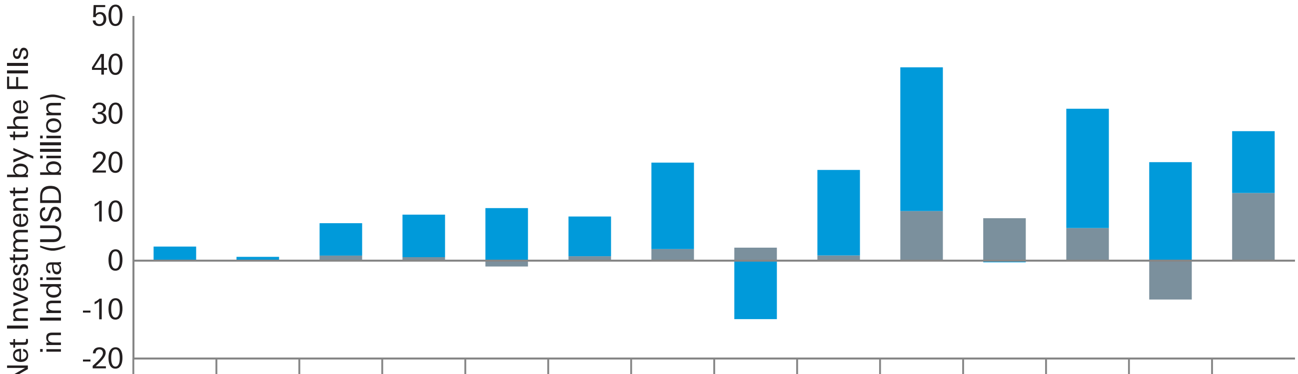
Indian Depository Receipts (IDRs) - A foreign company can access Indian securities market for raising funds through issue of Indian Depository Receipts. An IDR is an instrument denominated in Indian Rupees in the form of a depository receipt created by a Domestic Depository (custodian of securities registered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

4.3. Permitted investments for Foreign Investors

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

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

Net Investments through FII/FPI route
(Source: SEBI statistics. #August 2014 YTD figures)



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014#
Equity	2.81	0.75	6.63	8.67	10.71	8.11	17.66	-11.9	17.46	29.36	-0.36	24.37	20.10	12.64
Debt	0.04	0.01	1.00	0.70	-1.22	0.88	2.34	2.64	1.05	10.11	8.65	6.64	-7.97	13.80

4.4. FDI Overview

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

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

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

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

4.4.1 General Conditions

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

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

— FII / FPI may invest in Indian Company under the PIS which limits the individual holding of an FII / FPI below 10% of the company capital and the aggregate limit to 24%. Aggregate limit can be increased within given guideline. The aggregate FII / FPI / QFI investment, in the FDI and PIS, should be within the above caps

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

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

— For the purpose of computation of indirect Foreign investment, Foreign Investment in Indian company shall include all types of foreign investments i.e. FDI; investment by FIIs (holding as on March 31); FPIs (holding as on March 31); QFIs (holding as on March 31); NRIs; ADRs; GDRs; Foreign Currency Convertible Bonds (FCCB); fully, compulsorily and mandatorily convertible preference shares and fully compulsorily and mandatorily convertible Debentures.

— Authorized Dealer Banks can allow the remittance of sale proceeds of a security (net of applicable taxes) to the seller of shares resident outside India, provided the security has been held on repatriation basis, the sale of security has been made in accordance with the prescribed guidelines and NOC / tax clearance certificate from the Income Tax Department has been produced.

4.4.2 Types of FDI Transactions

Primary Market	Secondary Market
— FDI in a company not requiring Government approval (Through automatic route of the RBI) - A company which not engaged in any activity or in manufacturing of item prohibited by the RBI may issue shares up to the extent specified. — FDI in a company requiring Government approval - FIPB / DEA / MOF / DIPP - Company which is engaged or proposes to engage in any activity where prior Government approval is required for FDI, or is seeking investments beyond the sectoral limits stipulated by RBI.	— Transfer from Non-Resident to Non-Resident. — Sq`mredq eqn l Mnm,Qdrhcdms sn Qdrhcdms . Qdrhcdms sn Mnm,Qdrhcdms- — Transfer of Shares by Resident which requires Government approval: — Prior permission of the Reserve Bank in certain cases for acquisition / transfer of security. — Acquisition of shares under the FDI scheme by a non-resident on a recognized Stock Exchange). — R`kd ne rg`qdr. bnmudqshakd cdadmstqdr nm sgd Rsnbj Dwbg`mfd ax odqrnm qdrhcdms ntsrhcd Hmch`- *Restrictions apply.

4.4.3 Revisions

Relaxation in FDI policy on instruments having exit options

Reserve Bank of India (RBI) has relaxed the existing Foreign Direct Investment (FDI) policy by permitting optionality clauses such as 'put option' and 'call option' in equity shares and compulsorily convertible preference shares/debentures issued to non-resident entities along with guidelines.

— Minimum lock-in period shall be higher of lock-in period - under FDI Regulations or 1 year
— The lock-in period shall be effective either from the date of allotment of the instrument or as prescribed for specific sectors

— Post the expiry of the lock-in period, the non-resident investor exercising the option shall be eligible to exit without any assured return
— All existing contracts will have to comply with the above conditions to qualify as FDI compliant

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

4.5. FVCI overview

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

4.5.1 Market Entry

While the venture capital industry in India is steadily developing, the Securities and Exchange Board of India (SEBI) has invited foreign investors to make investments in venture capital funds (s) and venture capital undertakings in India and has issued detailed regulations, known as the SEBI (Foreign Venture Capital Investors) Regulations 2000.

Registration - For the purposes of seeking registration under these regulations, the applicant shall make an application to the Board hm rodbhehdc enq l `s along with the application fee:

Eligibility Criteria	— Professional Competence, Financial soundness, Experience, General reputation of fairness, Integrity — Grant all necessary approval with RBI — Applicant is an asset management company, investment manager or investment management company or any other investment vehicle incorporated outside India — Applicant is authorised to invest in venture capital fund or carry on activity
Furnishing of information, clarification	— Regulators might require other relevant information or clarification with regards to there registration process
Consideration of `ookhb`shnm	— All the rejected application to get 30 days time period to revert back with appropriate requirements
Procedure for grant of certificate	— Regulators to send an intimation if application is approved to grant certificate — The registration fee to be paid as specified in sgd hmsh l `shnm kdssdq Post which registration certificate is issued
Conditions of certificate	— Certificate granted to the foreign venture capital subject to conditions below:- — Abide by the provisions of the Act, and these regulations; Appoint a domestic custodian for purpose of custody of securities; shall have operating non-resident rupee and foreign currency account

4.5.2 Investment Restrictions

All investments to be made by an FVCI would be subject to the following restrictions:

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

The following investment limits are applicable to FVCI investments:
— At least 66.67% per cent of the investible funds have to be invested in unlisted equity shares or equity linked instruments
— Not more than 33.33% per cent of the investible funds can be invested by way prescribed by guidelines

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

— FX transactions of FVCI investors to be executed with the Authorized Dealer (AD) Bank
— The actual inflow/ outflow on account of remittances in USD and investments made by an FVCI should be reported to the RBI by the designated bank on the last day of the month in which the transaction has taken place
— FVCI may acquire or sell securities at a price mutually acceptable to the buyer and seller/ issuer
— FVCIs may invest in eligible securities (which include equity, equity linked instruments, debt, debt instruments, debentures of an Indian Venture Capital Undertaking (IVCU) or Venture Capital Funds(VCF), units of schemes of funds set up by VCFs), through private arrangements/ purchase from third parties
— RBI has also clarified that FVCIs would also be allowed to invest in securities on a recognized stock exchange, subject to the conditions prescribed under the Securities and Exchange Board of India (FVCI) Regulations, 2000
— FVCI entities are required to report to SEBI venture capital activity (investment category wise i.e. equit, debt or VCF, and industry wise) for each calendar quarter.

Chapter 5 Foreign Portfolio Investor (FPI) - Market Entry

5.1. Introduction

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

5.2. Eligibility Criteria

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

— The applicant is a person not resident in India - Also Non resident Indians(NRIs) cannot access this route for investments into India

— The applicant is resident of a country whose securities market regulator is a signatory to International Organization of Securities Commission's (IOSCOs) Multilateral Memorandum of Understanding (Appendix-A Signatories) or a signatory to bilateral Memorandum of Understanding with the Board

  The current list of permissible IOSCO jurisdictions can be accessed at http://www.iosco.org/library/index.cfm?section=mou_siglist

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

— In case of banks, applicant is a resident of a country whose central bank is a member of Bank for International Settlements

  The list of countries whose Central Bank is a member of the BIS is available at http://www.bis.org/about/orggov.htm

— Applicant not resident in a country identified in the public statement of Financial Action Task Force (FATF) as:
  (i) a jurisdiction having a strategic Anti-Money Laundering or Combating the Financing of Terrorism deficiencies to which counter measures apply; or
  (ii) a jurisdiction that has not made sufficient progress in addressing deficiencies or has not committed to an action plan developed with the FATF to address the deficiencies

  List of countries that are listed in the public statements issued by FATF is available at http://www.fatf-gafi.org/topics/high-riskandnon-cooperativejurisdictions [Ref. Regulation 4(b), 4(c) and 4(d)]

— The applicant is legally permitted to invest in securities outside the country of its incorporation or establishment or place of business

— The applicant is authorized by its Memorandum of Association and Articles of Association or equivalent document(s) or the agreement to invest on its own behalf or on behalf of its clients

— The applicant has sufficient experience, a good track record, is professionally competent, financially sound and has a generally good reputation of fairness and integrity

— The grant of certificate to the applicant is in the interest of the development of the securities market

— The applicant is a fit and proper person based on the criteria specified in Schedule II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008

— Any other criteria specified by SEBI from time to time

Opaque structures

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

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

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

Categories of FPI - Broadly the following types of investors access the Indian capital markets:

1. Sovereign entities
2. Foreign Central Banks
3. Investment Managers / Advisor
4. Insurance / Reinsurance companies
5. Mutual Funds / Hedge Funds
6. Asset Management Companies
7. Banks
8. Pension Funds
9. University Funds
10. Endowments
11. Charitable Societies
12. Corporates
13. Individuals
14. Trusts
15. Family Offices

Investors under the erstwhile FII regime were not categorized. As a result, there was uniform documentation requirement for each category irrespective of the nature of entity. The new regulations aim to address this by introducing risk-based approach, whereby entities are classified based on nature of the entity and risk-perception and the documentation requirements are designed accordingly.

Entities such as Sovereign Wealth funds or International Multi-lateral organizations are perceived as low-risk entities are classified as Category-I, and as such they are subjected to minimal documentation requirements. Applicants such as individuals, charitable trusts etc are perceived to be high-risk and therefore experience the most exhaustive level of documentation rules, under Category-III. Regulated professional institutional investors such as asset management companies, investment advisors etc are classified as Category-II, based on perception as medium-risk and experience moderate level of documentation requirements.

5.3. Categorisation

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

Category	Entities
I	Government and Government related investors such as central banks, Governmental agencies, sovereign wealth funds and international or multilateral organizations or agencies
II	(i) appropriately regulated broad based funds such as mutual funds, investment trusts, insurance / reinsurance companies; (ii) appropriately regulated persons such as banks, asset management companies, investment managers/ advisors, portfolio managers; (iii) broad based funds that are not appropriately regulated but whose investment manager is appropriately regulated, provided that — The investment manager of such broad based fund is itself registered as Category II foreign portfolio investor and — The investment manager undertakes that it shall be responsible and liable for all acts of commission and omission of all its underlying broad based funds and other deeds and things done by such broad based funds under these regulations (iv) University funds and pension funds; and (v) University related endowments already registered with the Board as FII or sub-accounts.
III	Shall include all others not eligible under Category I and II foreign portfolio investors such as endowments, charitable societies, charitable trusts, foundations, corporate bodies, trusts, individuals and family offices.

Notes to categorization table

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

Impact of Categorisation

- KYC documents will vary according to the category that the applicant fits in. While, Category I applicants will have minimal document requirement in terms of KYC, the requirement will be exhaustive for Category III applicants
- The trades of FPIs in Category I & II shall be margined on a trade date +1 (T+1) basis in accordance with existing norms. This is in line with the margin framework presently applicable to Foreign Institutional Investors (FIIs) / sub-accounts
- Category III FPIs that are corporate bodies, individuals or family offices shall be margined on an upfront basis (i.e. T+0), as per the extant margining framework for the non-institutional trades The rest will be margined on T+1 as per the norms for Category I and II
- Registration fee structure varies according to Categorization
- Only Category I and regulated Category II FPIs are permitted to issue offshore derivative instruments. Category III FPIs cannot issue offshore derivative investments
- Broad based funds that are not appropriately regulated but Classified as Category II FPIs by virtue of their investment manager being appropriately regulated are not permitted to issue, subscribe or otherwise deal in offshore instruments, either directly or indirectly
- Only Category I and Category II FPIs will be treated as Qualified Institutional Buyers Category III will be treated as non-institutional buyers i.e. they will be extended the same treatment as retail investors

5.4. Registration process and documentation requirement

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

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

5.5. Role of Designated Depository Participant (DDPs)

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

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

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

Change of DDP

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

5.6. Registration duration and fees

The registration as a FPI is valid for a block of 3 years. Category II and Category III investors need to pay USD 3000 and USD 300 respectively to the DDP, who are responsible to transfer the funds to the designated bank account of SEBI.

The fee structure is summarised below.

Category	Entities	Validity of Registration
I	Exempt (refer note below)	3 years
II	USD 3,000	3 years
III	USD 300	3 years

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

5.6.1 Conditional Registration

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

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

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

5.6.2 Surrender of Registration

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

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

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

— FPIs which are not desirous of continuing with the registration but are holding certain securities may hold such securities after expiry of registration. Such FPIs shall be permitted to hold the residual securities for subsequent disposal, after the expiry of FPI registration, subject to receipt of specific permission from DDP in this regard
— The procedure for seeking permission for disinvestment by FPIs after expiry of registration is given below:
  — At the time of expiry of registration, the FPI desiring permission for disinvestment shall make a request to DDP along with details of its holdings
  — The DDP may grant such permission for disinvestment with an initial validity period of 6 months
— The required sale trades shall be carried out by the FPI only after receipt of permission from DDP
— The permission shall be granted only for sale of the securities held by the FPI as on date of expiry of registration. No purchase transactions shall be permitted after the expiry of registration
— Credit of corporate benefits and application for rights issue in respect of existing securities would be permitted
— If the FPI is unable to sell the securities within 6 months, it can approach the DDP for extension of permission. The request shall mention the reason for seeking extension and also accompanied by a statement of current holdings in the required format. These requests may be considered based on the merits of the case

5.7. Other applicable norms

5.7.1 Home jurisdiction compliance - change in status

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

5.7.2 Change in Material Information

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

5.7.3 Name Change

In case the FPI has undergone a change in name, the request for updation / incorporation of new name should be submitted by the FPI to the DDP accompanied by documents certifying the name change. The documents relevant for name change are:
— Original FPI registration certificate granted in the old name
— Certified copy of document(s) from home regulator evidencing the name change
— An undertaking by the FPI stating that it is a mere name change and does not involve change in beneficial ownership

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

5.8. Migration from FII / QFI to FPI

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

QFIs can continue to access the capital market for a period of 1 year from the date of the commencement of these regulations i.e. January 7, 2014 or until the QFI obtains a certificate of registration as foreign portfolio investor whichever is earlier.

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

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

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

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

Requirement of PAN

Custodians are required to verify the Permanent Account Number (PAN) card, issued by Income tax authorities in India, before opening any depository account. Hence the applicant entity will need to submit either the original PAN card or copy of the PAN card to Deutsche Bank for verification in order to open depository accounts.

Chapter 6 Comparison with erstwhile FII model

Sr No	Details	FII / sub-accounts	FPI
1	Registration	Required to be registered with SEBI	To be registered with Designated Depository Participants (DDPs)
2	Fees (Registration as well as Renewal):	— USD 5000 for FII registration and renewal — USD 1000 for sub account registration and renewal	Fees to be paid as per categorization every 3 years Cat-I: No fees Cat-II: USD 3000 Cat-III: USD 300
3	Conversion fee	Not applicable	One time conversion fee of USD 1000 to be paid for converting to FPI
4	Know Your Client (KYC) Norms	Documentation as per the type of entity	Documentation as per the categorization ranging from Cat-I: Simplified documentation requirement to Cat-III: detailed documentation requirement
5	Qualified Institutional buyer (QIB) status	QIB status granted to FII/sub-accounts	— QIB status granted to Cat-I and Cat-II investors — No QIB status to Cat-III investors
6	Investment in unlisted securities	Permitted	Not permitted
7	Issue of offshore derivative instruments (ODIs)	Permitted for FIIs	Not permitted to Cat-III investors as well as investors categorized as Cat-II by virtue of their investment manager being regulated
8	Margins	Margin required on buys and sells on T+1 unless early pay-in of cash or securities is made	— Category I & II: Margins required on buys and sells on T+1 unless early pay-in of cash or securities is made — Category III: upfront margins on both buys and sells on trade date apply to foreign corporate, individuals and family offices. All other Category III FPIs subject to same requirements as Category I & II FPIs
9	Derivative Segment	FII and sub- accounts had different position limits	— FPIs in Category I & II shall have position limits as applicable to FIIs in the derivatives segment — FPIs in Category III shall have position limits similar to the client level position limit, applicable in the derivatives segment
10	Participation in Exchange traded currency derivative segment	Participation not allowed	— Participation allowed

Chapter 7 Know-Your-Client (KYC) Framework

SEBI and RBI have adopted a risk based KYC approach wherein the below Categorisation wise documentation requirements has been specified for FPI. As can be seen in the table below, the documentation requirement is minimal for applicants in Category I, whereas exhaustive documentation requirement has been specified for Category III. The applicant needs to fill in the standard KYC form issued by SEBI followed by the supporting documents as mentioned in the list below according to the Categories.

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

	Proof of Address	Not required	Not required	Declaration / Details on Letterhead required.
	Photographs	Not required	Not required	Required
Ultimate Beneficial Owner (UBO)	List	Exempt	Required - or declaration of no UBO holding over 25% in case of multi-investor entities	Required
	Proof Of Identity	Exempt	Exempt	Required
	Proof of Address	Exempt	Exempt	Declaration / Details on Letterhead required.
	Photographs	Exempt	Exempt	Exempt

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

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

— New clients will have to comply with the KYC requirements as prescribed by SEBI and their KYC data must be uploaded to the KYC Registration Agency (KRA) system at the time of application as FPI
— Existing clients will also have to comply with KYC requirements at the time of conversion to FPI and provide the necessary documentation. However, SEBI has clarified that existing clients applying for FPI conversion between June - December 2014 have been given time till December 31, 2014 to comply with KYC requirements
— Existing clients applying for conversion post December 31, 2014 will have to comply with the KYC requirements at the time of conversion to FPI and provide necessary documentation
— All updated KYC information must be uploaded on the KRA system by participants
— In case of non-submission of KYC documents, transactions will not be permitted for such investors
— Market intermediaries have been permitted to rely on the following alternate documents in lieu of Board Resolution for KYC purposes
  — Power of Attorney granted to Global Custodian / Local Custodian
  — Prospectus / Information Memorandum / Offer Document / Investment Management Agreement / Regulatory Filings
— Reliance on information available from reliable public sources has been permitted (e.g. websites of Regulators, Exchanges, Self Regulatory Organizations, Registrars) while collecting documents / information required for an Eligible Foreign Investor (EFI) / FPI. However, the copies of such documents must be sent to the EFI / FPI to revert in case of any changes / modifications Attestation of these documents (by way of mentioning the source of the document and signature against the same) must be carried out by a duly authorized official of the Intermediary

Account Opening: Post the submission of KYC documents and compliance with other applicable procedures, the applicant's cash account and securities as well as depository account will be opened by the DDP. Once the accounts are activated, the investor can commence investing in the capital market.

Chapter 8 Investment Guidelines

FPIs are permitted to invest in the following instruments

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

Notes - FPIs are not allowed to invest in Certificates of Deposit, Treasury Bills, Government securities having residual maturity of less than 3 year and in the overnight and term money markets. FPIs classified as "Long Term Investors" (SWFs, Central Banks, Pension Funds etc) are permitted to invest in Government securities having residual maturity of 1 year and above. Further investments in unlisted securities are not permitted except for debt instrument issued by companies engaged in the infrastructure sector.
The Foreign Exchange Management Act allows an FPI to open a special non-resident rupee account and also maintain foreign currency denominated account in permitted currencies.

8.1. Debt Investments

8.1.1 Investment Limits

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

Total Foreign Debt Investment Cap USD 81 billion

Dated Government Securities USD 30 billion

Open limit for select categories of FII/ FPI USD 5 billion

- Available only to FIIs that are
  - √ Sovereign Wealth Funds (SWFs),
  - √ Multilateral Agencies
  - √ Endowment Funds
  - √ Pension Funds
  - √ Foreign Central Banks
- Residual maturity of 1 year and above

All FIIs/ QFIs/ FPIs USD 25 billion

- Free limit till 90% of the available limits is used
- Limits to be disclosed by the depositories on their website on a daily basis
- Investment permitted in securities having residual maturity of minimum 3 years and above

Corporate Debt USD 51 billion

Sub-limit of USD 2 billion on investment in Commercial Papers (CP)

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

- Free limit till 90% of the available limits is used
- No instrument maturity restriction
- No residual maturity
- No lock-in restrictions
- Utilisation limits to be disclosed on the depositories website on a daily basis
- CP limit freely available till 95% is utilised

8.1.2 Debt Limit auctions

The current SEBI auction mechanism of allocating debt limits for corporate bonds and government debt has been replaced by the ‘on tap system’. Foreign investors can now invest in corporate debt and government debt without purchasing debt limits till the overall investment reaches 90%, after which the auction mechanism would be initiated for allocation of the remaining limits. Upon breach of the 90% trigger limit, limits are to be allocated via bidding on stock exchanges.

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

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

Auction mechanism: The auction will be conducted in the following manner:

Particulars	Details
Duration of bidding	2 hours (15.30 hours to 17.30 hours)
Access to Platform	Trading Members
Minimum bid	INR 10 million
Maximum bid	One-tenth of free limit being auctioned
Tick Size	INR 10 million
Allocation Methodology	Price time priority
Pricing of bid	Minimum flat fee of INR 1000 or bid price whichever is higher
Time period for utilization of limits	15 days from the date of allocation
Auction Platform	Alternately on NSE and BSE

- Utilization Period: Time period for investing in debt securities using the allotted limits will be 15 days. Limits not utilized within 15 days would come back to the pool of free limits
- Re-investment period in case of Sale/Redemption: Upon sale or redemption of debt, the FPI will have a re-investment period of 5 working days. If reinvestment is not made within 5 working days, then the limits will be clubbed in the pool of free limits
- Subsequent Auctions: Subsequent auctions would be held 20 days from the date of the last auction, subject to the condition that the free limit is greater than or equal to INR 1 billion and the debt limit utilization continues to be above 85%
- No Investment Restrictions: In order to provide operational flexibility to FPIs, it is clarified that there would be no other re-investment restrictions

The status of utilization of debt limits as well as the monitoring of investments by FPIs is done by the depositories.
Details of FII/ QFI/ FPI debt utilization can be accessed on a daily basis on the depository's website at the below mentioned link:
— National Securities Depository Limited (NSDL): https://nsdl.co.in/FII.php
— Central Depository Securities (India) Limited: http://www.cdslindia.com/ under 'publications'

Custodians shall provide necessary data to depositories on a daily basis for this purpose.

8.2. Equity

8.2.1 Foreign Ownership Limit

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

— Each FPI (investing on its own) holding in equity shares should always be below 10% of the paid-up capital of a company. The 10% cap will apply for investments in a listed company by an FPI under the FDI route and FPI route
— The Depositories will monitor holdings of FPIs at an entity level. Where multiple FPIs belong to the same investor group, the investment limits of all such FPIs shall be clubbed at the investment limit as applicable to a single FPI. This shall be the responsibility of the depositories. The DDP shall report the details of investor group(s) to the depositories
— The maximum permissible investment in the shares of a company, jointly by all FPIs together is 24% of the paid-up capital of that company
— This limit of 24% can be raised up to the FDI limits specified for that particular sector, subject to approval from the shareholders and the RBI
— In the case of public sector banks, the foreign ownership limit is 20%

Investment Limit	Investment by FPIs		*Caution Limit
	Individual	Aggregate	
24%	Below 10%	24%	22
30%	Below 10%	30%	28
40%	Below 10%	40%	38%
49%	Below 10%	49%	47%
FDI limits specified	Below 10%	FDI Limits	2% below the FDI limit
PSU Banks	Below 10%	20%	18

(*) denotes caution limit at 2% below the maximum limit. For companies with an equity base greater than INR 10 billion, the caution limit is 0.5%.

Note: The investment ceiling for FPIs will not include the following:
— Foreign investments under financial collaborations (direct foreign investments)
— Foreign investments through the following alternative routes:
  — Investments by NRIs
  — Global / American Depository Receipts
  — Euro convertibles

The limit of foreign share holding through ADRs / GDRs issues, outstanding Foreign Currency convertible bonds (FCCBs) and FPI / NRI / PIO investment is subject to the sectoral caps laid down by the RBI.

8.2.2 Monitoring of Investment Limits

- The RBI will monitor FPIs investments under Portfolio Investment Scheme (PIS) only at 24% or at the applicable sectoral cap / statutory ceiling only. A company, which has fixed an intermediate foreign ownership ceiling (i.e. between 24% and the overall FDI cap for that sector), have been delegated the responsibility of ensuring that the intermediate ceiling is not breached by an FPI
- It is mandatory for all foreign investors (FPIs/NRIs) to declare their holdings to the RBI. The local agent bank is responsible for reporting the details of foreign investments to the RBI daily.
- This reporting ensures that the RBI monitors the investment limits by foreign entities in the Indian companies
- If a company reaches the caution limits specified above, the FPI wanting to buy these stocks should inform DDP who in turn will approach the RBI for seeking permission to buy these shares
- Approval for investments in stocks which have reached the trigger limits is given by RBI on a case to case basis and the FPI is expected to purchase the shares within 3 days of receipt of the RBI approval beyond which the approval stands cancelled
- Only inter-FPI trades can be entered into if the overall ownership limit is reached. Such trades need to be reported separately to the RBI

8.3. Other Permitted Instruments

Investment in Commercial Papers

- If the client wishes to invest in Commercial papers, till 95% of USD 2 billion is reached, client can freely invest. Once that is done, if the client wishes to invest in Commercial Paper, approval needs to be obtained from the depositories for exhausting the remaining 5% of USD 2 billion
- National Securities Depositories Limited (NSDL) will inform the Custodians, Designated Depository Participants (DDPs) and stock exchanges when aggregate investments of all eligible investors falls below 95% of the available investment limits in respect of Commercial Paper, through its website
- Eligible investors will apply through the Custodian / Qualified Participant for approval Applications will be emailed to monitoring@nsdl.co.in for investment approval
- Applications can be made by the Custodian / Qualified Participant on behalf of the investors up to 5.00 p.m. IST on T-1 day (T day being the day of fresh purchases)
- Approvals will be provided by NSDL post market hours not later than 8 p.m. on a first-come-first-served basis in co-ordination with the other depository - Central Depository Services (India) Ltd, based on time of receipt of the prior approval requests by the depositories
- The validity of the approval shall be for the next trading day only

Investment in Credit Enhanced bonds

The guidelines for investment in credit enhanced bonds are as given below:

- FIIs / FPIs and QFIs are allowed to freely invest in credit enhanced bonds until the aggregate investments reaches 90% of USD 5 billion i.e. USD 4.5 billion
- The Custodian-DDP / Qualified Depository Participant (QDP) shall provide transaction details on a daily basis, to their respective depositories (National Securities Depository Limited- NSDL and Central Depository Services Limited- CDSL) on the same day i.e. the day on which the transaction is carried out, before the time stipulated by the depositories
- The depositories shall jointly publish the aggregate investment of FIIs / FPIs / QFIs in credit enhanced bonds, on a daily basis
- When the aggregate investments of all the FIIs / FPIs / QFIs reaches 90% of the investment limit, the same shall be published by the depositories on their websites as well as informed to the Custodians / QDPs and stock exchanges. No fresh purchases shall be allowed without prior approval of the depositories
- Additional purchases shall be allowed only post receipt of approval from the depositories

- The FIIs / FPIs / QFIs shall request for prior approval to the concerned depository through the Custodians/QDPs specifying therein the name of the FII/QFI, PAN and other unique identification number relating to that FIIs / FPIs / QFIs.
- The concerned depository shall provide the details of prior approval request received by it to the other depository.
- Approval shall be provided by the depository, post market hours on a first-come-first-served basis in co-ordination with the other depository, based on time of receipt of the prior approval requests by the depositories. The validity of the approval shall be for the next 2 trading days.
- In case the aggregate holding of the FIIs / FPIs / QFIs exceeds overall investment limit, the depositories shall jointly notify the respective Custodians-DDPs / QDPs regarding the breach along with the names of the FIIs / QFIs due to whom the limits have been breached.
- In case the aggregate holding of the FIIs / FPIs / QFIs exceeds overall investment limit for whatsoever reason, the FIIs / FPIs / QFIs due to whom the limit is breached shall mandatorily divest excess holdings within 7 working days of such breach being notified by depositories to the Depository Participant (DP)
- The depositories shall also inform the Custodians / QDPs and stock exchanges when aggregate investments of all the FIIs / FPIs / QFIs fall below 90% of the investment limits
- The Custodians-DDPs / QDPs shall obtain necessary authorization from the FIIs / FPIs / QFIs at the time of account opening for divestment of such excess holdings

Investment Norms:

- Trades in CPs, securitized debt and in corporate bonds between specified entities (including FIIs/sub-accounts / FPIs), settle through the NSCCL or the ICCL on a DVP1 basis
- Investments by FPIs restricted to only listed corporate debt securities. However, FPIs can invest in primary issues of NCDs / bonds, provided listing is committed to be done within 15 days of investment, else the instrument must be divested
- SEBI and RBI have permitted FPIs to invest in listed and unlisted bonds issued by companies in the infrastructure sector, where 'infrastructure' is defined in terms of the extant ECB guidelines
- In case the NCDs / bonds are not listed within 15 days of issuance to FPIs, the FPIs shall immediately dispose of the instruments, either by way of sale to a third party or to the issuer. Further, the terms of offer to FPIs should contain a clause that the issuer shall immediately redeem / buyback the securities from the FPIs

8.4. Other general investment restrictions

- Total FPIs portfolio investment in a company is capped at 24% / the FDIs limit specified for the particular sector
- Cash accounts maintained by FPIs are non-interest bearing
- All secondary market operations can be done only at the prevailing prices through the recognized brokers on the stock exchanges except for government securities which can be bought directly from the secondary market without the involvement of a broker
- Prevailing regulations do not permit FPIs to avail overdraft facilities. FPIs have to fund their account or maintain adequate cash balances to meet payment obligations to the exchanges or other counterparties
- Derivatives trading by FPIs are subject to the position limits specified for FPIs
- Securities lending and borrowing transactions will be subject to limits
- Existing investments in unlisted companies purchased under the erstwhile FIIs route and still held by FPIs 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 FDIs holding such shares, under the existing FDIs policy of the Government.
- FPIs are not allowed to engage in naked short selling. FPIs may short sell equity shares, provided they have borrowed securities under the SEBI securities 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.

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

8.5. Derivatives

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

Investment limits:

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

FPIs derivative limits

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

Client Level Position Limits

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

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

Client level position limits underlying-wise, are available to members on NSE's website

8.6. Securities lending and Borrowing

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

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

Some of the salient features of SLB include:
— Automated trading on AI provided online platforms
— Authorised Intermediaries (AI) act as counterparty to every trade
— 12 Monthly contracts available with expiry first Thursday of every month
— Available on all derivative stocks plus few additional scrips
— Recall and Repay facility available
— Corporate actions are adjusted to ensure lender receives all benefits. In event of corporate actions other than dividends and stock splits, foreclosure is executed by clearing house
— Short selling is the sale of a security that the seller does not own
— Naked short selling is prohibited. Accordingly, all investors would be required to mandatorily honour their obligation of delivering the securities at the time of settlement
— Short selling will only be permitted in securities on which derivative products are offered However, short selling will not be permitted for equity shares which are in RBI's foreign ownership ban list and /or caution list
— FPIs may purchase shares of companies which are on the foreign ownership ban list / caution list, without prior RBI approval, for the purpose of meeting Securities Lending and Borrowing (SLB) repayment obligations, provided the purchase is to the extent of meeting SLB repayment obligations and the company whose shares are being purchased, was not under foreign ownership restrictions (caution or ban) at the time of executing the SLB trade
— All transactions would be grossed for institutional investors at the custodians' level and the institutions would be required to fulfill their obligations on a gross basis. Day trading i.e., intraday square-off of transactions is not permitted
— A screen-based, exchange-traded system, where the exchange's clearing corporation collects the collateral and acts as a central counterparty, has been implemented for SLB. Therefore, unlike international markets, Over-the-Counter (OTC) SLB transactions are not permitted
— Borrowing of equity shares by FPIs shall only be for the purpose of delivery into short sale
— SLB contracts have been permitted to have tenure up to a maximum period of 12 months The approved intermediary, viz. Clearing Corporation/ Clearing House shall have the flexibility to decide the tenure of the contract, subject to the maximum period of 12 months
— The margin / collateral shall be maintained by FPIs only in the form of cash. No interest shall be paid to the FPI on such margin/collateral
— Institutional investors are required to disclose their intention to short sell upfront before placement of short sale order. Brokers will be required to collect and collate scrip-wise details on short sales and upload it to the stock exchanges before the commencement of trading on the following day

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

Borrowing limit

The following position limits will be applicable to SLB transactions

Level	Position limit	Source of Information
Market-wide limit	10% of the free-float capital of the company in terms of number of shares	Market-wide limit will be announced by the NSCCL / ICCL on a month end basis
Clearing Member / Participant	Open position restricted to 10% of the market-wide position limits or INR 500 million (base value), whichever is lower	To be computed by the clearing member / FPIs
FIIs / FPIs	Open position restricted to 10% of the market-wide position limits or INR 500 million (base value), whichever is lower	This limit is applicable at the FPIs level. It is to be computed by the clearing member / FPIs
Client (Sub-Account) level	1% of the market-wide position limits	This limit is applicable at the sub-account. To be computed by the clearing member / FPIs

8.7. Platform

8.7.1 Primary Market

- Initial Public Offers (IPO): Initial Public Offer (IPO) is the offer of equity shares by the company to the public and can be availed by any company meeting the listing criteria as specified by SEBI and Stock Exchanges. Participation in IPO is open to all investors including FPIs. IPOs normally have a specific portion that is allocated to Qualified Institutional Buyers (QIBs). IPO can be either through book building process or fixed price process or a combination of both. 100% payment to be blocked through the ASBA route. FPIs can participate in IPOs through their Custodian. QIBs not allowed to withdraw the bids after the issue closing date. However, bids can be revised before the bid closing date. In case of upward revision of bids, the incremental margin amount has to be paid alongwith the revision. However, in case of a downward revision, the excess margins already paid are refunded only at the time of allotment of shares
- Follow on Public Offer (FPO): Follow on Public Offer (FPO) is a follow on offer of equity shares by an existing company to the public. This is open to all investors and institutional investors including FPIs can subscribe to this through their custodian. QIBs not allowed to withdraw the bids or lower the bids at any stage. However, bids can be revised before the bid closing date. In case of upward revision of bids, the incremental margin amount has to be paid alongwith the revision. No downward revision is permitted
- Qualified Institutional Placement (QIP): Qualified Institutions Placement (QIP) is an additional mode for listed companies to raise funds from Qualified Institutional Buyers(QIBs). While Category I and Category II FPIs can participate in the same through their custodian, Category III FPIs cannot participate as they are not treated as Qualified Institutional Buyers (QIBs).
- Institutional Placement Program (IPP): FPO of eligible securities by an eligible seller, in which the offer, allocation and allotment of such securities is made only to Qualified Institutional Buyers (QIB). 100% payment to be blocked through the ASBA* route. Bids cannot be revised downwards or withdrawn
- Offer for Sale (OFS): Refers to sale of promoters shares through a separate window provided by the stock exchanges for offloading their stake in a transparent manner. Participation in OFS is available to all categories of investor including FPIs. Orders in the OFS window can be placed by institutional investors including FPIs either by paying 100% margin or without paying upfront margin. However orders placed by paying 100% margin can be modified or cancelled at any time during the trading hours. Orders placed without paying margin cannot be modified or cancelled by the investors or brokers, except for making upward revision in the price or quantity

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

8.7.2 Secondary Market

For the general investor, the secondary market provides an efficient platform for trading of securities.

- Equities: All secondary market deals in equity needs to be done on recognized Stock Exchange
- Debt: All debt deals in corporate bonds, commercial papers, securitized debt can be done on recognized stock exchange as well in the OTC market. However, all deals done on the OTC market needs to be compulsorily reported and settled through the clearing corporation of the Stock Exchange
- Government securities: secondary market g-sec deals done in the OTC market needs to be reported and settled on the NDS-OM platform owned by the Reserve Bank of India

8.8. Reporting Requirements

Substantial acquisition of shares of voting rights

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

Offer Size

- The minimum amount of shares to be sought in an open offer by an acquirer is 26% of the shares of voting capital in a company
- The open offer for acquiring shares to be made by the acquirer shall be for at least 26% of total shares of the target company, as of 10th working day from the closure of the tendering period. Tendering period is the period within which shareholder can tender shares in acceptance of an open offer

Reporting under SEBI (SAST) Regulations 2011 and SEBI (Prohibition of Insider Trading), Regulations 1992

- 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 2 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 7 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.

As per the SEBI (Prohibition of Insider Trading), Regulations, 1992, any person who holds more than 5% shares or voting rights in any listed company shall disclose to the company, the number of shares or voting rights held by such person within 2 working days from the acquisition.

Additionally, any subsequent change of 2% (plus or minus) over the previously reported shareholding ratio will also need to be reported to the company, within the same timeframe mentioned above.

For example, if an investor’s shareholding exceeds 5%, this must be reported to the company. Subsequently, if shareholding drops to 3% (or goes above 7%) the shareholding (along with the change in shareholding) must be reported to the company. Every subsequent change in shareholding of more than 2% since the last reporting must be reported to the company.

8.9. Clubbing of limits

Investor Group
The investment limits of all FPIs belonging to the same investor group needs to be below 10% of the issued capital of the investee company at all times. The depositories shall club the investment limits and ensure that combined holdings of all these FPIs does not exceed 10% of the issued capital of the investee company at any time.

For the purpose of ascertaining investor group, the concerned DDPs shall consider all such entities having direct or indirect common shareholding / beneficial ownership / beneficial interest of more than 50%, as belonging to same investor group. This determination is largely based on appropriate declarations to be furnished by the FPI entities. The DDP shall report the details of investor group(s) to the depositories.

FPIs shall provide details of all entities having direct or indirect common shareholding / beneficial ownership / beneficial interest, of more than 50%, as a part of their group, for submitting this data. The common beneficiary owner(s) shall be identified on the basis of (1) shareholding, (2) voting rights (3) any other forms of control, in excess of 50%, across FPIs, if any.

8.10. Offshore Derivative Instruments - ODIs

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

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

Issuance to regulated entities - ODIs can be issued to an entity regulated by an appropriate foreign authority.

Note: A person regulated by an appropriate foreign regulatory authority means and includes the following:-

1. Any person that is regulated/supervised and licensed/registered by a foreign central bank;
2. Any person that is registered and regulated by a securities or futures regulator in any foreign country or state.

Unregulated Broad based funds - Unregulated broad based funds classified under category II on account of their investment manager meeting the Category II criteria, cannot issue, subscribe or deal in offshore derivative instruments either directly or indirectly.

KYC Compliance - ODIs must be issued after full compliance with KYC norms.

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

Reporting of Issuance of Participatory Notes by FPIs

FPIs issuing ODIs / Participatory Notes (PNs) shall file the transaction details along with the monthly summary report by the 10th of every month for previous month's ODI transactions.

— The FPI issuing the ODI will be required to submit these reports as prescribed by SEBI.
— In case an ODI issuer (A) issues an ODI to another FPI (B) that further issues the ODI, then the ODI reporting for (A) would be limited to naming (B) as the subscriber, on the basis that (B) in its capacity as FPI is providing a monthly ODI report to SEBI, the reporting from (B) would meet SEBI's requirements and avoid duplication of reporting

— Under the revised norms, FPIs shall commence reporting to SEBI in the format prescribed, only from the month they start issuing ODIs. Accordingly, quarterly 'Nil' reporting is being done away with
— The threshold for non-proprietary indices (e.g. MSCI World or MSCI EM Asia) shall be taken as 20%, i.e. those trades need not be reported in which the materiality of Indian underlying is less than 20% of the index, even if such exposure is hedged onshore
— Custom baskets would always be subject to reporting if hedged onshore regardless of percentage of the Indian component that is hedged onshore

Manner of submission:

— The above-mentioned reports shall be submitted in a password secured excel format. The e-mail should be sent only by the compliance officer of the respective FPI to the dedicated e-mail ID – odireporting@sebi.gov.in with the subject line "ODI/PN Report of [FPI Name and Registration No.] for the month of […]". The password should be sent in a subsequent email.
— SEBI has also specified that FPIs would be required to ensure that there is no further downstream issuance of such derivative instruments. SEBI may require the FPI to furnish details of the ultimate investors investing through this medium. Accordingly, FPIs must exercise due diligence and maintain complete details of the investors based strictly on 'know your clients' principles

Chapter 9 Bank Account and Remittance Guidelines

The Foreign Exchange Management Act (FEMA) allows an FPI to open a special non-resident rupee account and also maintain foreign currency denominated account in permitted currencies. Deutsche Bank as a designated Authorized Dealer (AD) bank maintains cash accounts denominated in INR as well as foreign currency accounts based on client instructions.

RBI qdf tk`shnmr odq lhs registered FPIr to do the following:

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

Chapter 10 Currency Hedging

FPIs are allowed to hedge the market value of their entire investment in equity and/or debt in India as on a particular date by way of:

— Forward Cover
— Currency Derivative segment of the Exchange

10.1. Forward Cover

RBI has permitted Authorized Dealer (AD) Category – I banks to offer forward cover facilities to Foreign Portfolios Investors (FPIs), as per the following norms. Forward contracts are only permitted for sale trades.

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

AD banks other than the FPIs designated AD bank can also offer forward cover facilities subject to the following conditions:
— The eligibility cover to be determined on the basis of:
  — Valuation certificate to be provided by the designated AD category bank
  — Declaration by the FPI stating that its global outstanding hedges plus the derivatives contracts cancelled across all AD category banks is within the market value of its investments
— The FPI to provide a quarterly declaration to the custodian bank (who is also the designated AD category I bank for FPIs) that the total amount of derivatives contract booked across AD Category banks are within the market value of its investments
— The hedges booked with AD banks other than designated AD banks have to be settled through the Special Non-Resident Rupee A/c maintained with the designated bank through Real Time Gross Settlement (RTGS) / National Electronic Funds Transfer (NEFT) system

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

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

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

10.2. Participation in the Currency Derivatives segment of the Exchange

FPIs are permitted to hedge the currency risk arising out of the market value of their exposure to Indian debt and equity securities including units of equity/debt mutual funds through any registered / recognized trading member of the exchange on the currency derivative segment of the exchange concerned subject to the following norms:

- FPIs can take long (bought) position as well as short (sold) position in foreign currency up to USD 10 million / Euro 5 million / GBY 5 million / JPY 200 million, per exchange without any underlying exposure
- The exposure limit will apply on both day-end as well as intra-day
- An FPI cannot take a short position beyond USD 10 million / Euro 5 million / GBY 5 million / JPY 200 million at any time
- Long position beyond USD 10 million / Euro 5 million / GBY 5 million / JPY 200 million in any exchange will be permitted only if the FPI has an underlying exposure in Indian debt or equity securities including units of equity / debt mutual funds

10.3. Foreign Currency-Rupee Swaps permitted for IPO flows under ASBA

In addition to forward cover facilities, the RBI has permitted Authorized Dealer banks to allow foreign currency-rupee swaps to FPIs for capital flows relating to IPOs under the Application Supported by Blocked Amount (ASBA) mechanism, subject to the following conditions:

- FPIs can undertake foreign currency-rupee swaps only for hedging the flows relating to the IPO under the ASBA mechanism
- The amount of the swap should not exceed the amount proposed to be invested in the IPO
- The tenor of the swap should not exceed 30 days
- The contracts, once cancelled, cannot be rebooked. Rollovers under this scheme will also not be permitted

10.4. Responsibilities of FPIs

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

10.5. Monitoring of positions

- The Exchange / Clearing Corporation will provide FPI wise information on day-end open position as well as intra-day highest position to the respective custodian banks
- The custodian banks will aggregate the position of each FPI on the stock exchanges as well as the Over the Counter (OTC) contracts booked with themselves and other Authorized Dealer (AD) banks
- The designated custodian bank will be monitoring the total position and bring transgressions, if any, to the notice of RBI / SEBI

Chapter 11 Tax Aspects

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

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

Tax Rates

Tax Rates applicable to FIIs / FPIs investing in India are as follows:

Assessment Year: 2014-2015
Previous Year: April1, 2013 till March 31, 2014 (including surcharge and cess as applicable)

Nature of Income	Corporate FPIs			Non-Corporate FPIs - e.g. trust	
	Income < 10,000,000	Income > 10,000,000 but < 100,000,000	As per Finance Bill 2013- if net taxable income > 100,000,000	If net taxable income does not exceed INR 10 Million	As per Finance Bill 2013- if net taxable income exceeds INR 10 Million
Dividends	NIL	NIL	NIL	NIL	NIL
Interest	20.6%	21.012%	21.63%	20.6%	22.66
Short-term capital gains on equity shares and units of equity oriented funds where STT is applied.	15.45%	15.759%	16.2225	15.45%	16.995%
Long-term capital gains on equity shares and units of equity oriented funds where STT is applied.	NIL	NIL	NIL	NIL	NIL
Short-term capital gains on securities where no STT is applied	30.9%	31.518%	32.445%	30.9%	33.99%
Long-term capital gains on securities where no STT is applied	10.3%	10.506%	10.815%	10.3%	11.33%
Business Income	41.2%	42.024%	43.26%	30.9%	33.99%

*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.

Reduced Tax Rate on Debt Instruments

Reduced Tax rate of 5% applicable on Interest Income arising from investments in G-Secs and Corporate Bonds, for a 2 year period from June 1, 2013 to May 31, 2015, subject to the following:

— In case of bonds issued before July 1, 2010, the rate of interest shall not exceed 500 basis points (bps) over the base rate of the State Bank of India, as on the 1st day of July, 2010

— In case of bonds issued on or after July 1, 2010, the rate of interest shall not exceed 500 basis points (bps) over the base rate of the State Bank of India, applicable on the date of issue of the said bonds

Surcharge for foreign companies increases from 2% to 5%, if the taxable income exceeds INR 100 million. Additional surcharge to be in force for only 1 year.

Withholding tax at the rate of 20% will be levied on profits distributed by unlisted companies to shareholders through buyback of shares.

Securities Transaction Tax for the F.Y. 2013-14

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

Tax Administration

Payment of applicable taxes, filing of annual returns, Advance Tax procedure and other periodic obligations are required to be discharged by the investors, usually by appointing a Tax Consultant in India as a service provider.

Advance Tax

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

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

Due Dates	Advance Tax Payable by FIIs / FPIs (Corporates)
By June 15	15% of advance tax
By September 15	45% of advance tax
By December 15	75% of advance tax
By March 15	100% of advance tax
By March 31 (for 15 days from 15/3 to 31/3)	100% Tax on Income (capital gains & dividend / interest)

Due Dates	Advance tax payable by FIIs / FPIs (Not a corporate)
By June 15	NIL
By September 15	30% of advance tax
By December 15	60% of advance tax
By March 15	100% of advance tax
By March 31 (for 15 days from 15/3 to 31/3)	100% tax on Income (capital gains & dividend / interest)

- Taxes are calculated based on trades executed and not settled trades. Therefore all trades executed up to and including the deadlines specified above will be included in the calculation
- At the end of the financial year (March 31), if the tax authorities find that taxes were not paid in accordance with the above schedule, interest @ 1% p.m. will be charged 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 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 & tax deducted at source. Interest will be charged till the Return of Income for the relevant financial year is filed

Double Taxation Avoidance

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

Annexure 1 Application Format for FPI Registration

Annexure 1.1. Form A

FIRST SCHEDULE

FORMS

FORM A

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

[See regulation 3(2) and regulation 8]

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

1.0 Details of the Applicant:

1.1 Name of the applicant

1.2 Address of the Applicant:

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

1.3 Date of Birth/ incorporation/establishment/formation:

dd/mm/yyyy

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

Place		Country	

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

Nationality		Passport No.	

For internal use only

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

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

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

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

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

2.0 Category of the applicant

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

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

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

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

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

2.2 Information regarding foreign investor groups

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

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

3.1 Contact details:

Name			
Country		Web-site	

3.2 Registration Number/Code, If any:

4.0 Disciplinary History

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

☐ Yes ☐ No

If yes, please furnish details in annexure

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

5.1 Details of the DDP

Name	Deutsche Bank AG
Date of SEBI approval	

5.2 Details of Custodian of Securities

Name	
SEBI Registration number of custodian of securities	

5.3 Details of designated bank:

Name of the Bank and Branch	
Address	

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

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

☐ Yes ☐ No

If yes, then please provide details:

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

7.0 Declaration and Undertaking.

We declare that:

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

Undertaking.

We undertake to:

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

For and on behalf of applicant

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

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Annexure 1.2. Guidance Note for completing Form A

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

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

2	Category of the Applicant	
2.1.	Type of Category (I/II/III)	The applicant should select only one category, which is most appropriate for it. If the applicant selects more than one category or selects an incorrect category, the application form shall be deemed to be defective and is liable to be rejected. Category determination is important and shall affect subsequent documentation requirements and downstream operating rules. Applicants are requested to consider carefully before applying in selected category. Applicants should indicate the relevant type of entity (from the table provided in Form A) in the box specifying category. e.g. An applicant operating as a Sovereign Wealth Fund should mention, 'Sovereign Wealth Fund' in the Category-I box in Form A. In case the applicant falls in Category-III but wants to claim Category-II status based on category-II status of its investment manager (includes investment manager or investment advisor or trustee), then the name and FPI registration number of such investment manager should be mentioned in the space provided opposite Category-II in Form A. The required declaration and undertaking from such investment manager, along with a copy of the FPI Registration certificate of the investment manager should be attached with Form A as Annexure.
	Information regarding foreign investor groups	Instructions for providing investor group information: — FPIs shall provide details of all entities having direct or indirect common shareholding / beneficial ownership / beneficial interest, of more than 50%, as a part of their group, for submitting this data. — The common beneficiary owner(s) shall be identified on the basis of (1) shareholding, (2) voting rights (3) any other forms of control, in excess of 50%, across FPIs, if any (including existing FII / Sub accounts). — In case of FPI groups, any one FPI may file the declaration, listing all other FPIs covered, and furnish the agreement / acknowledgement of other FPIs in that group on the cover letter i.e. a single certification can be provided for an FPI group.

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

Annexure 2 Documentation Requirements for FPI Registration

Regulatory Approval	To be issued by DDP on behalf of SEBI	
Timeframe	FPI Approval - 30 days from the date of receipt of completed application or after the information called for has been furnished, whichever is later.	
FPI Registration Application Documentation		
Application to DDP (Form A)	1 Original FPI Form A	Ref Annexure 1.1
	Guidance Note for completing the application Form A	Ref Annexure 1.2
Standard Declaration / Undertakings to be submitted to DDP	1 Original (on the letterhead of the FPI). SEBI has issued standard declaration undertakings that need to be submitted by the FPI	Ref Annexure 2.1
Additional Registration documents	These documents will form part of the FPI Registration application	Ref Annexure 2.2
Conversion from FII / Sub-account / QFI to FPI		
For Conversion from the existing FII / Sub-account regime or QFI regime to FPI, the applicant will be required to submit the full documentation as mentioned above.		
Renewal of FPI Registration		
Submissions for Renewal	Post completion of conversion to FPI, the FPI will need to submit fees accompanied by a covering letter one month prior to registration expiry date, for renewal of FPI Registration. The FPI will also be required to submit an undertaking confirming no changes in any information submitted to SEBI / DDP.	

KYC Documentation		
Standard KYC forms	Standard KYC form announced by SEBI	Ref Annexure 2.3
Other KYC document requirements	Supporting documents for completion of KYC and account opening	Ref Chapter 7

Annexure 2.1 Standard Declaration and Undertaking

<u>Declaration cum Undertaking from the Foreign Portfolio Investor to be given to Designated Depository Participant</u>

Date

To

Designated Depository Participant

Dear Sir/ Madam,

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

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

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

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

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

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

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

Page **1** of **9**

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

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

(II) *a jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with the FATF to address the deficiencies.*

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

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

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

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

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

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

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

c) In case of any penalty, pending litigations or proceedings, findings of inspections or investigations for which action may have been taken or is in the process of being taken by an overseas regulator against me/ us.

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

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

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

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

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

OR

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

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

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

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

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

15) I/We confirm that

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

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

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

....

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

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

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

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

Date:

Place:

(Signature block for Applicant)

Signature(s) of Authorised Person(s)

APPLICABLE ONLY FOR FUNDS SEEKING REGISTRATION UNDER CATEGORY II

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

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

OR

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

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

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

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

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

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

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

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

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

OR

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

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

(Signature block for Applicant)

Signature(s) of Authorised Person(s)

Date:

Place:

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

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

(Signature block for Investment Manager)

Signature(s) of Authorised Person(s)

Date:

Place:

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

Date:

To,

Designated Depository Participant

Dear Sir,

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

Declarations

Please tick (☑) whichever applicable.

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

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

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

OR

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

Undertakings

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

We undertake that:

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

OR

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

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

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

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

Annexure 2.2 Additional Registration Documents

Sr No	Document	Signing Authority
1	Memorandum & Articles of Association	1. To be certified by the authorised signer as per ASL along with Company Stamp / Seal, Name and Date. 2. To be Notarized by a Notary Public OR certified by a Foreign Multi National Bank (Certification should bear the Name, Date and Designation)
2	Copy of FII / FPI Registration Certificate (if applicable)*	1. To be certified by the authorised signatory along with Company Stamp / Seal, Name and Date
3	Investment Management Agreement (if applicable)*	1. To be certified by the authorised signatory along with Company Stamp / Seal, Name and Date
4	Prospectus of the fund (Applicable only if the client intends to seek conditional registration)	1. To be certified by the authorised signatory as per ASL along with Company Stamp / Seal, Name and Date. 2. To be Notarized by a Notary Public OR certified by a Foreign Multi National Bank (Certification should bear the Name, Date and Designation)

*Required for FPI Applicant intending to seek registration under CAT II but are themselves not regulated by a Securities market regulator needs to provide the said documents.

Annexure 2.3 Standard KYC form

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

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

Photograph

Please affix the recent passport size photograph and sign across it

Please fill this form in ENGLISH and in BLOCK LETTERS

A. IDENTITY DETAILS

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

☐ Private Limited Co.
☐ Public Ltd. Co.
☐ Body Corporate
☐ Trust
☐ Charities
☐ NGO's
☐ FPI – Category I
☐ Others (please specify) ______________________

☐ Bank
☐ Government Body
☐ Non Government Organization
☐ Defense Establishment
☐ Society
☐ LLP
☐ FPI - Category II

☐ Partnership
☐ FI
☐ FII
☐ HUF
☐ AOP
☐ BOI
☐ FPI - Category III

B. ADDRESS DETAILS

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

5	Specify the proof of address submitted for registered address	

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

D. DECLARATION

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

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

==

FOR OFFICE USE ONLY									
☐ (Originals verified) True copies of documents received									
☐ (Self-Attested) Self Certified Document copies received									
Signature of the Authorised Signatory									**Seal/Stamp of the intermediary**
Date	D	D	M	M	Y	Y	Y	Y	

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

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

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

Annexure – K

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

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

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

A) Details of Account holder(s):

	Name	PAN
Sole/ First Holder		
Second Holder		
Third Holder		

B) **Type of account**

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

C)

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

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

a) Name		b) PAN	

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

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

F) **Bank details**

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

G)

6	IFSC	

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

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

	4	SEBI Registration Number	
	5	Trade Name	
	6	CM-BP-ID **(to be filled up by Participant)**	

I)	**Standing Instructions**		
	1	We authorize you to receive credits automatically into our account.	☐ Yes ✔ No
	2	Account to be operated through Power of Attorney (PoA)	✔ Yes ☐ No
	3	**SMS Alert facility**	

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

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

I. OTHER DETAILS

1	Gross Annual Income Details (please specify): Income Range per annum
	☐ Below ₹ 1 lac ₹ 1- 5 lac ₹ 5- 10 lac ₹ 10- 25 lac ₹ 25 lac- 1 crore ☐ More than ` 1 crore
2	Networth
	Amount (₹) ______________________ As on (date) D D M M Y Y Y Y (Networth should not be older than 1 year)

Declaration

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

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

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

Authorised Signatories (Enclose a Board Resolution for Authorised Signatories)

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

Other Holders		
Second Holder		X
Third Holder		X

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

Notes:

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

==

Acknowledgement

Participant Name, Address & DP ID

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

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

Participant Stamp & Signature

Annexure 3 List of useful weblinks

Key Regulatory Links:

SEBI FPI Regulations 2014	http://www.sebi.gov.in/sebiweb/home/list/1/3/0/0/Regulations
SEBI FPI FAQs	http://www.sebi.gov.in/cms/sebi_data/attachdocs/1406269401287.pdf

Other Useful Links:

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

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

Contact:

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