



Securities Services

Namaste India

The comprehensive guide to investing in India

Edition 2024

Deutsche Bank

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आज़ादी का
अमृत महोत्सव
सुरभि जैन, मा.आ.से.
संयुक्त सचिव
Surbhi Jain, IES
Joint Secretary



आर्थिक कार्य विभाग
वित्त मंत्रालय
भारत सरकार
Department of Economic Affairs
Ministry of Finance
Government of India
North Block, New Delhi-110001
Tel.: +91-11-23093881
E-mail : surbhi.jain@nic.in


PREFACE

Indian economy continues to demonstrate resilience with robust macroeconomic fundamentals amidst the challenging global economic environment. The growth prospects are driven by the structural changes being implemented by the Government. The initial 100 days of third term of the present Government has set the tone for the vision of *Viksit Bharat@2047*. Drawing strength from robust governance and reforms fostering digitization, innovation, and entrepreneurship, India's vast economic landscape is undergoing a transformative shift – beating growth expectations, and enroute to being placed as one of the top 3 major economies.

2. The confidence of foreign investors in the Indian market highlights the promising prospects of the Indian economy and its financial sector. This confidence, supplemented by government measures to attract foreign investment, is evident in the net foreign inflows seen in 2024. Net FPI investment in India reached USD 25 billion by the end of September 2024, up from USD 18 billion during the same period in 2023. On the FDI side, India recorded a net FDI inflow of USD 41 billion from January to June 2024, up from USD 20 billion in the corresponding period in 2023.

3. Government of India, in consultation with RBI and SEBI, continues to undertake facilitative measure for the foreign investors. Some of the recent measures for ease of doing business for Foreign Portfolio Investors (FPIs) include introduction of the '**Scheme for Trading and Settlement of Sovereign Green Bonds in the International Financial Services Centre in India**', establishing a framework for providing **flexibility to Foreign Portfolio Investors in dealing with their securities post expiry of their registration, increased participation by Non-Resident Indians (NRIs), Overseas Citizens of India (OCIs) and Resident Indian (RI) individuals FPIs based in IFSCs**. Further, Foreign Exchange Management (Non-debt Instruments) Rules, 2019 have been amended to **simplify cross-border share swaps**, allowing the issuance or transfer of Indian company equity instruments in exchange for foreign company equity instruments. Additionally, the sectoral cap on foreign investment in the '**space sector**' and '**white label ATMs**' has been relaxed to attract more FDI.

4. I would also like to commend work by the Deutsche Bank team in their arduous endeavor to compile the guidelines on investing in Indian markets, in a manner that has made the complex regulatory framework easily comprehensible and accessible to foreign investors. The compilation provides readers with a concise yet comprehensive overview of all aspects governing Indian foreign investments.


(Surbhi Jain)
16th October, 2024

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Foreword

2024 has been a landmark year in global politics – with over 60 countries, accounting for half the world’s population, going to the polls, for voting in presidential, legislative, and local elections. The world’s largest democracy, India, was also one among these – with its parliamentary elections spanning over several weeks.

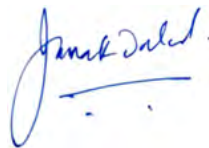
As global markets continue to evolve with new asset classes, India has emerged as a promising investments’ destination, for its market stability, resilience to global headwinds, and steady economic development over the years. Adding to its vast market potential and demographic advantages, regulatory reforms promoting ease of doing business to attract investments and investor security, have empowered the economy’s sustained growth momentum. With the strongest economic growth, India is seen standing out among its broader emerging market cohort signaling a land of opportunity, and with long-term returns.

As India swiftly progresses on its growth trajectory supported by a largely bullish global outlook, Deutsche Bank remains dedicated in its commitment to clients’ lasting success, empowering them to capitalise on emerging opportunities through adept guidance, thought leadership and nuanced market expertise.

In keeping with our client-centric, initiative-driven approach, we are pleased to present the 11th edition of Namaste India – a comprehensive guide which provides key considerations on making foreign investments to India, including entry routes, eligibility criteria, investment restrictions, KYC and compliance requirements, an overview of taxation, GIFT City, and major regulatory changes. We extend our sincere gratitude to clients and stakeholders for their continued support, encouragement, and feedback on this annual publication.



Anand Rengarajan
Managing Director
Global Head of Sales &
Head of Securities Services, Asia Pacific,
Middle East & Africa



Janak Dalal
Managing Director
Head of Securities Services, India & Sri Lanka
Co-Head of Corporate Bank, India

1

Introduction

India is one of the fastest-growing economies of the world, and is poised to continue on this path with aspirations to become a Developed Nation by 2047 – the centenary of India’s independence. It is also committed to ensuring that its continued growth path is equipped to deal with the challenges of climate change, and in-line with its goal of achieving net-zero emissions by 2070.

Continued positive market reforms and policy changes, with adequate safeguards for investors have led to a positive outlook towards India’s growth potential, attracting foreign investments in the form of both portfolio as well as strategic investments.

In the recent months, the Indian growth story has dominated headlines, from record-high levels quoted by stock market indices to a surge in IPO listings. Stocks listed on Indian bourses have consistently outperformed emerging market peers, aided by the push from domestic institutional investments and rise in retail participation. Among the fastest-growing economies, India currently ranks as the fifth largest economy in the world, and is expected to become the third largest by 2027. India’s real GDP is projected to grow between 6.5 – 7% in 2024-25.

The Namaste India publication is a holistic reference book for investors looking to capitalise on the Indian capital markets. While foreign portfolio expansion may seem precarious decision amidst evolving global uncertainties, deploying assets towards Indian equities today is being viewed with an optimistic caution. This guide has been prepared as an endeavour to keep existing and potential foreign investors abreast of the intricacies that lace the Indian investments landscape.

1.1. Background

The objective of this guide is to provide referential information to foreign investors on the FPI model, and an overview of other investment routes including Foreign Direct Investment (FDI) and Foreign Venture Capital Investor (FVCI), along with a summary of the securities market structure in India, asset classes and investment rules associated thereto. An extensive chapter is included on Gujarat International Finance Tec-City (GIFT City), Gandhinagar – India’s offshore financial centre.

1.2. What’s New in 2024

This edition covers all the regulatory and procedural changes notified till September 15, 2024, as well as additional or amended material as applicable on the key aspects relevant to FPIs.

1.3. Navigation through This Guide

- The document provides a context to the FPI model by sharing a summary information section on the Indian securities market and the various prevalent investment routes into India, as [Chapters 2 and 3](#). This includes comparative tables on key aspects, such as investment permissions across the three foreign investment routes
- Against a backdrop of steady growth in FDI into India, a separate section has been devoted to detailed coverage of FDI and FVCI routes as [Chapters 4 and 5](#)
- Comprehensive information on the process of FPI market entry is available in [Chapter 6](#)
- A comparative table on categorisation of FPIs, consequent investment restrictions and operating model is included in [Chapter 7](#)
- A detailed note on the risk-based KYC framework applicable to FPIs as well as the KYC framework applicable to other foreign investment routes is included in [Chapter 8](#)
- Investment guidelines applicable to the FPI route are described in detail in [Chapter 9](#). This section includes information on debt, equity and other permitted instruments, investment platforms, ownership limits, etc. Detailed notes on the various routes for investments in debt and comparative table for such investments have been included in this section. Regulations governing derivatives and other hybrid instruments such as REITs, InvITs, etc., can also be found in this chapter
- FPIs experience the same highly developed and stable clearing and settlement structure, as experienced by domestic participants in the market. Overview of the clearing and settlement environment in the Indian securities market is available as [Chapter 10](#). This section provides summary information, designed to convey the key aspects
- A detailed note on Asset Servicing environment is included as [Chapter 11](#)
- Guidelines related to banking, remittance rules, currency hedging and participation in currency derivatives are covered in [Chapter 12](#)
- An overview on the applicable tax structure is provided in [Chapter 13](#). The information included is of indicative nature only, as actual tax applicability will differ on case-to-case basis depending on various factors. This chapter also includes the latest updates on the significant changes to tax environment, international tax administration, etc.
- [Chapter 14](#) provides comprehensive information regarding Securities Lending and Borrowing
- [Chapter 15](#) describes the International Financial Services Centre (IFSC) at GIFT City, Gandhinagar
- [Annexures](#) include useful reference links, key contacts list and abbreviations used in the book

1.4. Namaste India E-Book

Namaste India is available as e-book, freely accessible online. E-books are available for current as well as all the past editions, including Japanese version (2016-2021 editions) and Korean version (2019-2020 editions).

The e-books can be accessed at: <https://corporates.db.com/publications/magazines/namaste-india>

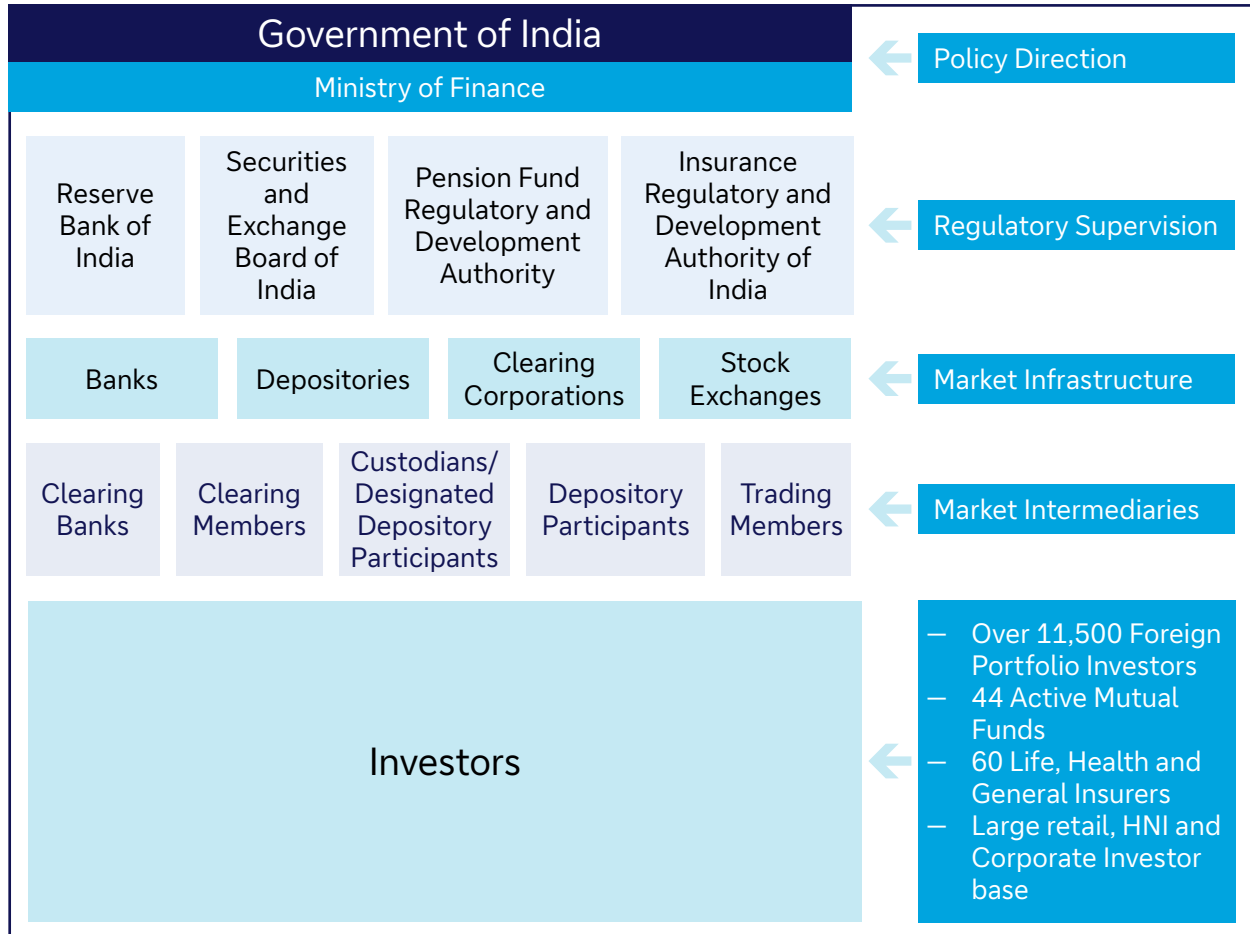
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Securities Market in India – Overview

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

2.1. Regulatory Structure

The financial market regulators in India, are autonomous bodies established by statutes which provide for their composition, powers, and procedures, and operate under the overall supervision of the Ministry of Finance.



Ministry of Finance, Government of India

The Ministry of Finance is the apex ministry responsible for the administration of the finances of the Government of India, and management of all economic and financial matters affecting the country, including mobilisation of resources for developmental activities.

- The Department of Economic Affairs (DEA) is the nodal agency of the Government of India which formulates and monitors the country's economic policies and programmes at a macro level, and policies relating to the functioning of Indian banking, insurance and capital markets
 - The Capital Markets Division within the DEA is primarily responsible for all the policy issues related to the growth and development of the securities markets, and the orderly functioning of the securities market regulator
- The Department of Financial Services oversees the functioning of banks, insurance, and financial services provided by various government agencies and private corporations. It also oversees pension reforms, industrial finance, and Micro, Small and Medium-sized Enterprises (MSMEs)

Securities and Exchange Board of India (SEBI)

SEBI is the regulatory and registering authority for the various intermediaries and institutional investors connected to the Indian securities market. Its primary responsibilities include:

- Developing and regulating the securities market
- Protecting the interests of investors
- Regulating, recognising/ registering of:
 - Stock Exchanges, Depositories, Clearing Corporations
 - Custodians, Trading Members and Clearing Members
 - Foreign and Domestic Institutional Investors
 - Listed companies in terms of raising of capital, issuance and transfer of securities, and corporate benefits
- Surveillance, audit and inspection of entities regulated by it
- Adjudicating offences and taking necessary course of actions for violations under SEBI Act, 1992

Reserve Bank of India (RBI)

RBI is India's central bank, responsible for the supervision of the overall financial services system. Its functions include:

- Formulation, implementation and monitoring of the monetary policy with the objective of maintaining price stability and ensuring adequate flow of credit to productive sectors
- Prescribing parameters for banking operations within which the country's banking and financial system functions
- Regulation of the foreign investment inflows and outflows, being the custodian of the country's foreign exchange reserves
- Governing the debt markets through primary dealers and providing liquidity support to market participants

2.2. Legal Framework

Important legislations governing the securities market in India:

- **Securities Contracts (Regulation) Act, 1956 (SCRA)**
 - Regulation of business of dealing in securities market to prevent undesirable transactions
 - Gives the central government and SEBI the regulatory jurisdiction over stock exchanges, contracts in securities, and listing of securities on stock exchanges
- **Depositories Act, 1996**
 - Establishment of depositories in securities market with the objective of ensuring near-instant, transferability of securities in an accurate and secure manner
 - Provides for all securities held in depository to be dematerialised (demat) and rendered fungible. It enables the depository to be the registered owner of the securities in the books of the issuer, and requires the depository to maintain a register and index of beneficial owners

- [Insolvency and Bankruptcy Code, 2016 \(IBC\)](#)
Provides a time-bound process to resolve insolvency.
- [Foreign Exchange Management Act, 1999 \(FEMA\)](#)
Governs foreign currency transactions, investments by foreign investors in the Indian securities market including debt segment (both government and corporate debt), and various reporting requirements for foreign investors dealing in securities, etc.
- [Prevention of Money Laundering Act, 2002 \(PMLA\)](#)
Basic statutory framework for identification of customers, transaction monitoring, anti-money laundering measures, monitoring and reporting requirements etc. PMLA defines the broad framework for market regulators to prescribe regulations and rules for Know Your Customer (KYC), transaction monitoring and records, and the documentation therein.

Statutory framework applicable to foreign investors:

Regulations/ guidelines issued by SEBI:

- [SEBI \(Foreign Portfolio Investors\) Regulations, 2019 \(FPI Regulations\)](#)
- [Master Circular for Foreign Portfolio Investors, Designated Depository Participants and Eligible Foreign Investors](#)
- [SEBI \(Foreign Venture Capital Investors\) Regulations, 2000 \(FVCI Regulations\)](#)
- [SEBI \(Substantial Acquisition of Shares and Takeover\) Regulations, 2011 \(SAST Regulations\)](#)
- [SEBI \(Issue of Capital and Disclosure Requirement\) Regulations, 2018 \(ICDR Regulations\)](#)
- [SEBI \(Prohibition of Insider Trading\) Regulations, 2015 \(PIT Regulations\)](#)
- [SEBI \(Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market\) Regulations, 2003 \(PFUTP Regulations\)](#)

Rules, regulations and guidelines issued under FEMA:

- [Foreign Exchange Management \(Non-debt Instruments\) Rules, 2019](#)
- [Foreign Exchange Management \(Debt Instruments\) Regulations, 2019](#)
- [Foreign Exchange Management \(Mode of Payment and Reporting of Non-Debt Instruments\) Regulations, 2019](#)
- [Master Direction: Reporting under Foreign Exchange Management Act, 1999](#)
- [Master Direction: Foreign Investments in India](#)

2.3. Capital Market Overview

Regulators	<ul style="list-style-type: none"> – Reserve Bank of India (RBI) – Securities and Exchange Board of India (SEBI) – Insurance Regulatory and Development Authority of India (IRDAI) – Pension Fund Regulatory and Development Authority (PFRDA)
Stock exchanges/ Trading platforms	<ul style="list-style-type: none"> – National Stock Exchange (NSE) – Bombay Stock Exchange (BSE) – Metropolitan Stock Exchange of India (MSEI) – Multi Commodity Exchange (MCX) – National Commodity and Derivatives Exchange (NCDEX) – Negotiated Dealing System-Order Matching (NDS-OM) for trading, reporting of Government Securities (G-Sec)
Central counterparties	<ul style="list-style-type: none"> – NSE Clearing Limited (NCL) – Indian Clearing Corporation Limited (ICCL) – Multi Commodity Exchange Clearing Corporation (MCXCCL) – National Commodity Clearing Limited (NCCL) – Clearing Corporation of India Ltd. (CCIL) for clearing and settlement of G-Sec
Depositories	<ul style="list-style-type: none"> – National Securities Depository Limited (NSDL) – Central Depository Services (India) Limited (CDSL) – RBI for Government debt and Treasury Bills

Market participants	Brokers, Custodians, Designated Depository Participants, Foreign Portfolio Investors, Domestic Asset Management Companies, Insurance Companies, Banks, Financial Institutions, Corporates and Retail Investors
Market statistics	Market Capitalisation – BSE: USD 3,836 billion (July 2023) → USD 5,597 billion (July 2024) - 46% ↑ – NSE: USD 3,706 billion (July 2023) → USD 5,546 billion (July 2024) - 50% ↑ Total Forex reserves: USD 684 billion (as on August 30, 2024)
Securities identifier	Scrips are identified by the International Securities Identification Number (ISIN) – the standard code for identifying the securities held in a depository account. NSDL is the national numbering agency in India to issue the ISIN for securities. The stock exchanges in India follow separate codes or numbering system for execution

2.4. Trading Guidelines Overview

Settlement currency	Indian Rupee (INR): Convertible (on-shore)
Account structure	Segregated securities, cash and depository account
Trading hours	Cash/ capital markets: – Equity market hours based on the choice of settlement cycle of scrips being traded: – T+1 settlement: 09:15 to 15:30 hours – T+0 settlement: 09:15 to 13:30 hours (Pre-open call session: 09:00 to 09:15 hours) – Securities Lending and Borrowing (SLB) segment: 09:00 to 17:00 hours – Debt segment for corporate bonds: 09:00 to 15:30 hours for exchange-traded and 09:00 to 17:00 hours for OTC market Listed derivatives: – Futures and Options: 09:15 to 15:30 hours – Currency derivatives segment: 09:00 to 17:00 hours G-Sec market: NDS-OM: 09:00 to 17:00 hours (+3 hours for reporting of OTC trades by FPIs)
Settlement cycle	– Equities: Rolling T+1; ‘Beta’ version of T+0 rolling settlement cycle introduced on March 28, 2024 – optional settlement cycle, available in parallel to T+1 – SLB: T+1 – Derivatives: T+1 (mark-to-market margin). Physical settlement on expiry of contract follows T+1 cycle – G-Sec: T+1/ T+2 (OTC) and T+1 for NDS-OM Web. All confirmations to be completed on T – Corporate bonds: T+1 (exchange-traded) and T+0 to T+2 (as agreed between counterparties in OTC market)
Short selling	Permitted only against Borrow positions in the SLB segment. Naked short selling not permitted.
Fail trades	– Equities: Buy-in will be conducted by the exchange. Penalties will be levied. No auction/ buy-in for T+0 trades – Corporate bonds: Default by one party results in fail trade and funds/ securities are returned back
Securities lending	– Available as an exchange-based mechanism – Foreign investors can lend securities. However, they can only borrow securities for delivery into short sales (naked short selling is not permitted)

'T' here refers to the transaction date.

2.5. Asset Classes

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

2.5.1. Equity

- Ordinary equity shares
- Preference shares
- Share warrants
- Fully, compulsorily convertible debentures

All transactions in equities are settled and held in dematerialised form at the depository.

2.5.2. Fixed Income

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

Market segment	Issuer	Instruments
Government Securities	Central Government	Treasury Bills/ Zero-Coupon Bonds, Coupon Bearing Bonds, STRIPs in G-Sec
	State Governments	Coupon Bearing Bonds
	Local Bodies	Municipal Bonds
Public Sector Bonds	Statutory Bodies	Coupon Bearing Debentures
	Public Sector Units	PSU Bonds, Coupon Bearing Debentures
Private Sector Bonds	Corporates	Indian Rupee denominated - Debentures, Bonds, Floating Rate Bonds, Zero Coupon Bonds, Commercial Papers, Inter-Corporate Deposits
	Banks	Indian Rupee denominated Debentures, Bonds, Certificate of Deposit
	Financial Institutions	Indian Rupee denominated Bonds

2.5.3. Pooled Funds/ Collective Investment Schemes

Foreign investments permitted in ‘investment vehicles’ i.e., in units of domestic or SEBI-registered

- Mutual funds, or
- Exchange-Traded Funds (ETFs)
(categorised as Equity or Debt oriented funds)

and, in units of

- Real Estate Investment Trust (REITs)
- Infrastructure Investment Trusts (InvITs)
- Alternative Investment Funds (AIFs)

2.5.4. Indian Depository Receipts

A foreign company can raise capital by accessing the Indian securities market through the issuance of Indian Depository Receipts (IDRs). An IDR is a depository receipt denominated in Indian Rupees, which is created by a domestic depository (SEBI-registered custodian of securities in India) against underlying equity of the foreign company looking to raise funds from the Indian securities market.

2.5.5. Listed Derivatives

Securities

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

Commodities

The commodity derivatives market in India witnessed major reform through Finance Act, 2015, when it was brought under SEBI’s purview, to ensure a unified regulator for the commodities and securities markets. The commodity derivatives are regulated by SEBI under the SCRA.

Stock exchanges	<ul style="list-style-type: none"> – National Commodity and Derivatives Exchange Limited – Multi Commodity Exchange of India Limited – Bombay Stock Exchange – National Stock Exchange
Clearing corporations	<ul style="list-style-type: none"> – National Commodity Clearing Limited – MCX Clearing Corporation Limited – Indian Clearing Corporation Limited – NSE Clearing Limited
Traded commodities	<ul style="list-style-type: none"> – Bullion – Gold and Silver – Metals – Aluminium, Copper, Lead, Nickel, Zinc, Steel – Energy – Crude Oil and Natural Gas – Agro – Cotton, Cardamom, Castor Seed, Rubber, Guar Seeds, Spices, Cereals and Pulses, etc.
Settlement cycle	Currently all trades are mark-to-market at the closing price of contract, and the mark-to-market requirements are settled at T+1

FPIs are permitted to participate in exchange-traded commodity derivatives in India, however, only in cash-settled non-agricultural commodity derivative contracts and indices comprising such non-agricultural commodities.

2.6. Foreign Exchange (FX)

The foreign exchange market in India is governed and regulated by the RBI, and the Indian Rupee (INR) is the onshore convertible currency against other foreign currencies.

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

Contract type	Description	FX Settlement – Exchange of Currency
Cash/ Same day	Cash FX matures on the day the transaction takes place	T+0
Tom	Tom FX is also referred to as overnight and settles on the following day	T+1
Spot	Spot FX is the most common FX transaction which requires to be settled within two business days	T+2
Forwards	An FX forward is a contract deliverable at a future date, beyond Spot Date	T+3 or beyond

‘T’ here refers to the FX booking day.

3

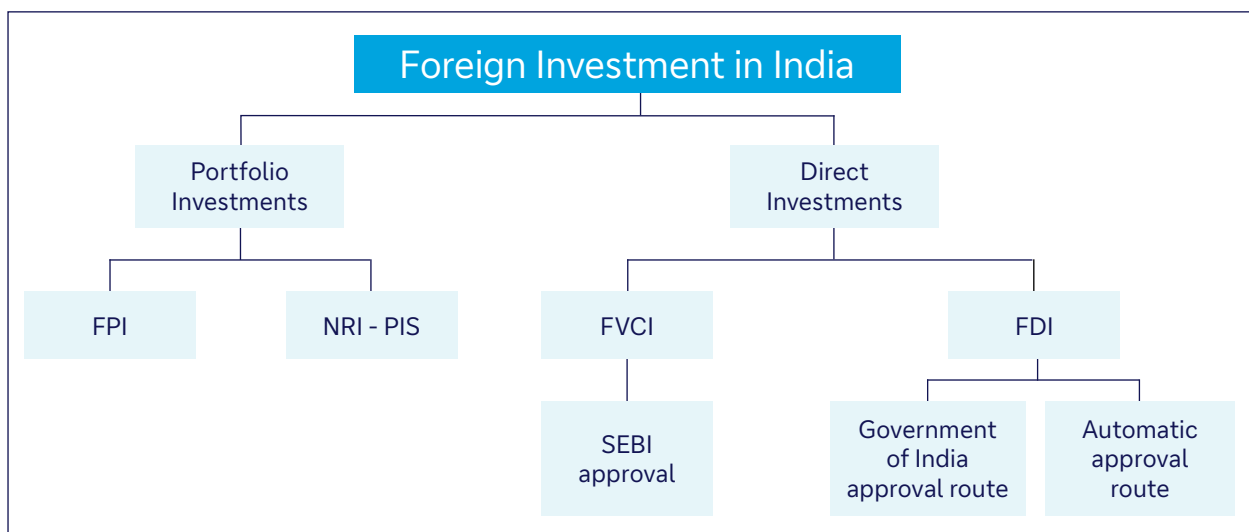
Investment Routes into India

3.1. Access to Indian Securities Market

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

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

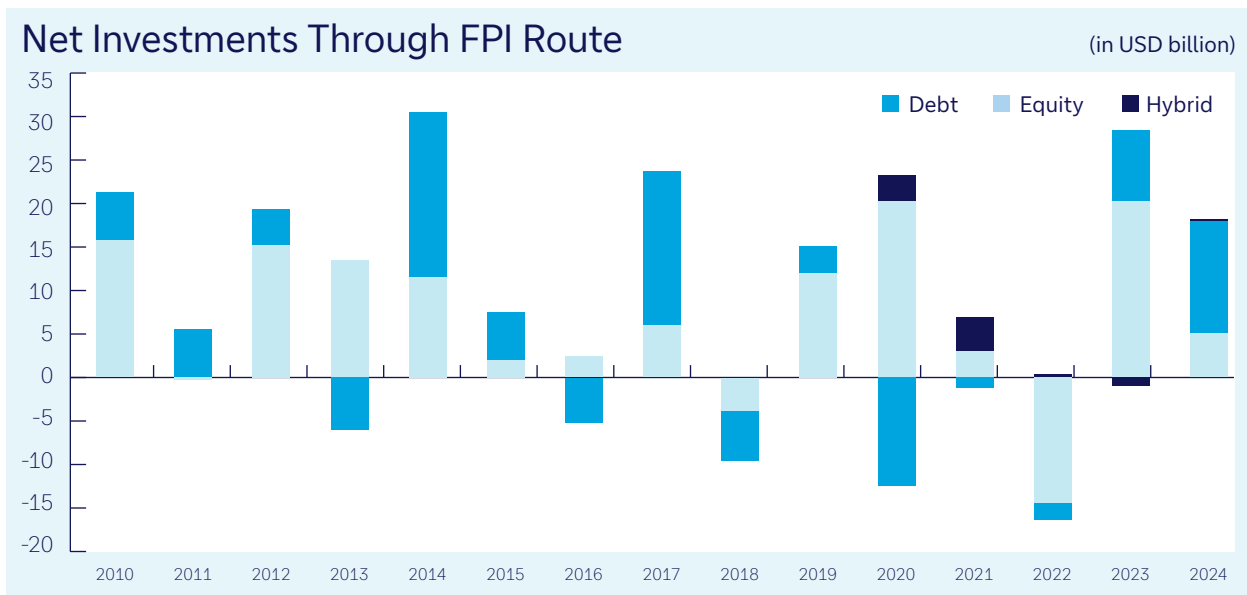
Given below is the snapshot of various investment routes available to foreign investors for accessing the Indian capital markets:



3.1.1. Foreign Portfolio Investor (FPI)

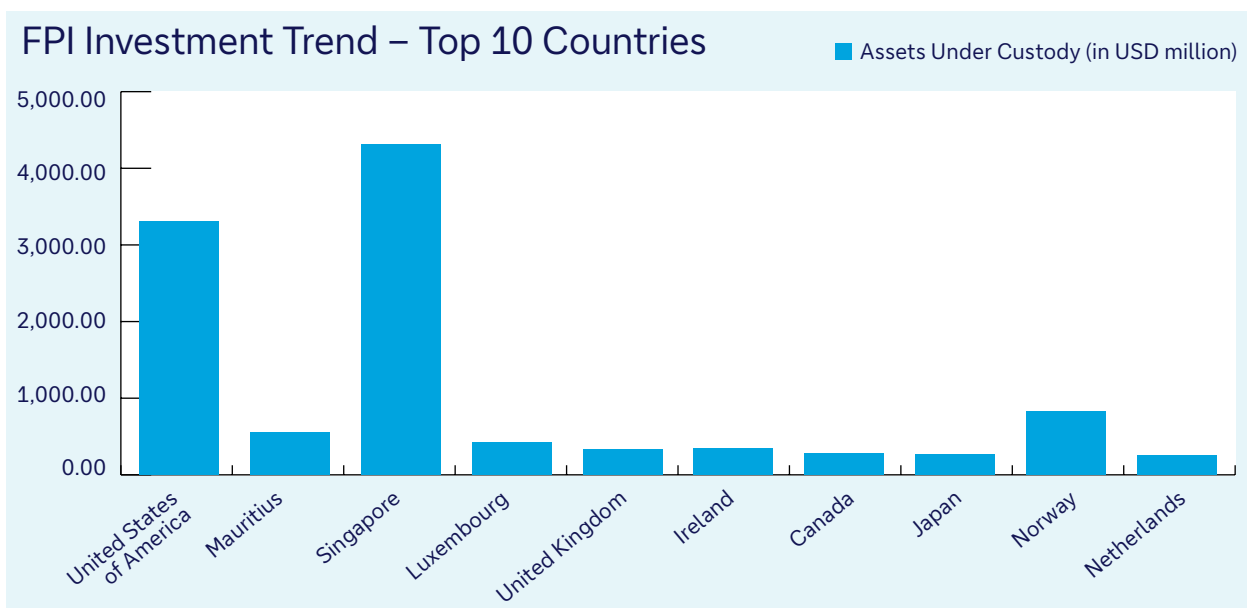
- Investments under this route are primarily governed by the SEBI (Foreign Portfolio Investors) Regulations 2019 (FPI Regulations) and guidelines as specified under Foreign Exchange Management Debt and Non-Debt Instruments Rules issued by Government of India and RBI
- Market entry is facilitated by Designated Depository Participant (DDP), who performs the market registration process on behalf of SEBI. Registration is a key requirement prior to the start of investments. Application Form and KYC-related documents along with registration fees are submitted to the DDP by the foreign investors
- The FPI registration license is perpetual, subject to payment of fees for every block of three years, and completion of the periodic KYC review
- Appointment of Custodian is mandatory, and the DDP engaged and granting the registration will also act as the Custodian
- Investments are permitted in securities as notified by SEBI and RBI. Such investments are governed by individual and sectoral foreign ownership limits, and other investment limits and restrictions notified from time to time

FPI Investment Statistics



Figures till August 2024

Source: NSDL statistics



Figures of August 2024

Source: National Securities Depository Limited (NSDL) statistics

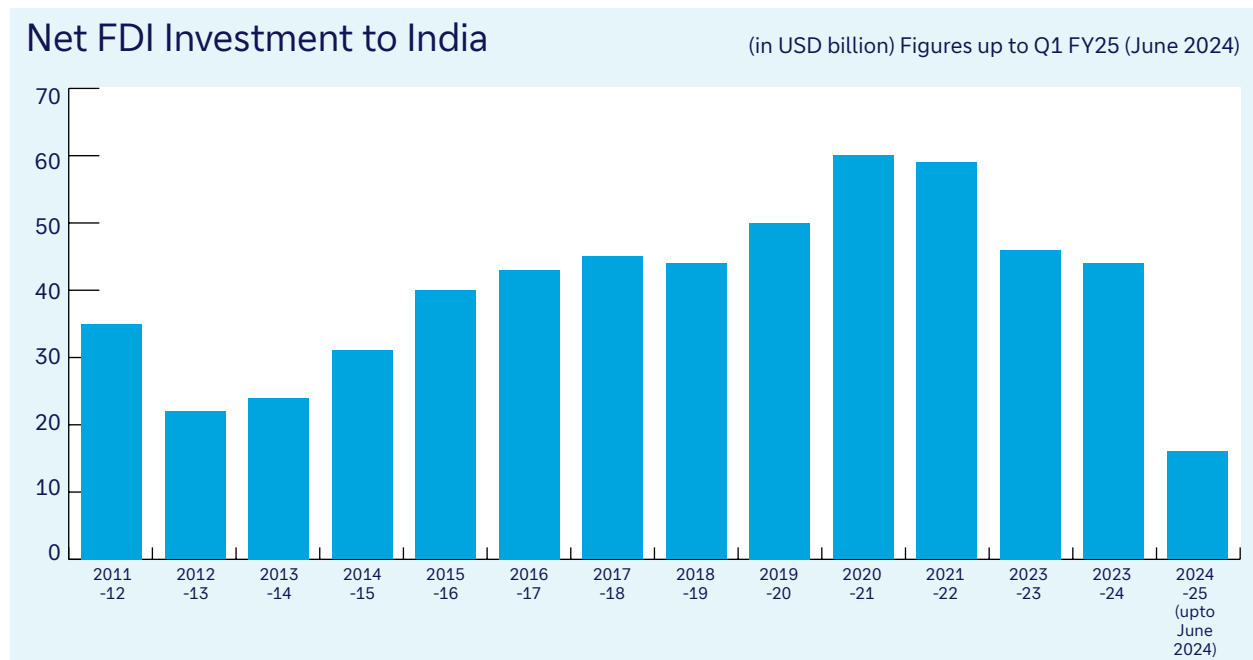
3.1.2. Foreign Direct Investment (FDI)

- The investments are governed by guidelines specified under the Foreign Exchange Management Rules for non-debt instruments issued by Government of India and RBI, and the Consolidated FDI Policy issued by Department for Promotion of Industry and Internal Trade (DPIIT) under the Ministry of Commerce and Industry, Government of India
- The investments need to adhere to the sector-specific entry rules, like automatic or government approval, pricing guidelines, and sectoral limits amongst others
- Investments can be made in equity shares, compulsorily and mandatorily convertible debentures/ preference shares of an Indian company

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

Government Route: FDI in activities not covered under the automatic route requires prior approval of the Government of India. Application has to be made online on Foreign Investment Facilitation Portal of the DPIIT. The application would be considered by respective ministry/ department.

The chart below displays the FDI investment trend in India since 2011-12.



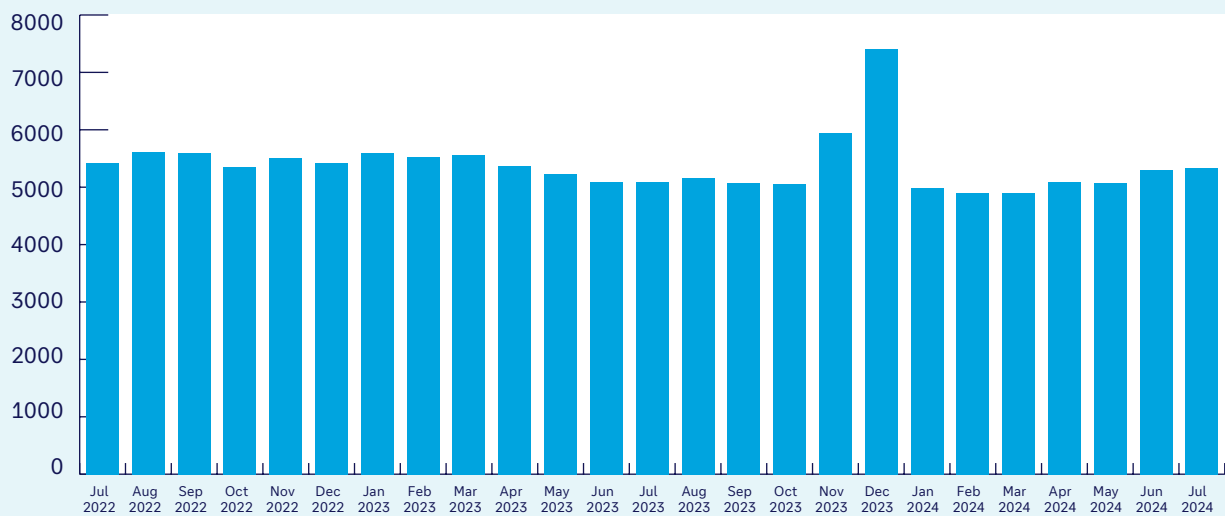
Source: Department for Promotion of Industry and Internal Trade (DPIIT)

3.1.3. Foreign Venture Capital Investment (FVCI)

- Foreign investment is permitted in specified ventures/ sectors identified by the Government of India
- Investments under this route are governed by SEBI’s Foreign Venture Capital Investor Regulations and Foreign Exchange Management guidelines issued by the Government of India and RBI
- SEBI registration is mandatory and the registration application and supporting documents have to be submitted through online portal with application fees
- Appointment of Custodian and an Authorised Dealer Bank are mandatory
- Investments are restricted to 10 sectors, and start-ups of any sector
- Pricing is mutually agreed between the buyer and seller

Assets under Management of FVCI Entities

(in USD billion)



Source: National Securities Depository Limited (NSDL) statistics

3.1.4. Non-Resident Indians (NRIs)

- Portfolio investment route is available for Non-Resident Indians (NRIs) and Overseas Citizen of India (OCI)
- Appointment of a Custodian is not mandatory
- Investments are allowed in listed equities and debt, and any other securities permissible under FEMA
- Individual limit of 5% of the total paid up equity capital in any company, and an overall composite limit of 10% is applicable. This limit, of 10%, can be raised to 24%

3.2. Other Routes to Invest in Indian Securities

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

3.2.1. Depository Receipts

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

Permissible Jurisdictions and International Exchanges where DRs can be listed:

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

3.3. Composite Sectoral Caps

Composite sectoral caps include all types of direct and indirect foreign investment restrictions, regardless of whether the investment has been made under FDI, FPI, FVCI, Limited Liability Partnerships (LLPs), Depository Receipts (DRs), and investments by Non-Resident Indians (NRIs).

3.4. Permitted Investments for Foreign Investors

The table below summarises the types of investment instruments available for the different categories of non-resident/ foreign investors:

Market Segment	Instrument Type	FPI	FDI	FVCI
Equity	Listed equity	Yes	Yes*	Yes*
	Unlisted equity	No	Yes	Yes
	Preference shares (fully-, compulsorily-, and mandatorily-convertible)	Yes*	Yes	Yes
	Warrants	Yes*	Yes	Yes
	Corporate bonds – (compulsorily- and mandatorily-convertible)	Yes*	Yes	Yes
	Partly-paid shares	Yes*	Yes	No

Market Segment	Instrument Type	FPI	FDI	FVCI
Fixed income	Dated Government securities	Yes	No	No
	Treasury bills	Yes*	No	No
	Municipal bonds	Yes	No	No
	Commercial papers	Yes*	No	No
	Repo transactions	Only under VRR*	No	No
	Corporate bonds (Non-convertible)	Yes*	No	Yes*
	Corporate bonds under default	Yes*	No	No
	Unlisted corporate bonds (Non-convertible***)	Yes	No	Yes*
	Debt instruments issued by banks, eligible for inclusion in the regulatory capital	Yes	No	No
	Credit enhanced bonds	Yes	No	No
	Rupee denominated bonds/ Units issued by infrastructure debt funds	Yes	No	No
	Securitised debt instruments	Yes*	No	No
Mutual Funds	Units of mutual funds	Yes**	No	No
	Exchange-traded funds (ETFs)	Yes	No	No
Derivative Contracts	Index Futures (exchange-traded derivatives (ETDs))	Yes	No	No
	Index Options (ETDs)	Yes	No	No
	Stock Futures (ETDs)	Yes	No	No
	Stock Options (ETDs)	Yes	No	No
	Interest Rate Futures (ETDs)	Yes	No	No
	Currency Derivatives (ETDs and OTC)	Yes*	No	No
	Cross-currency Derivatives (ETDs)	Yes	No	No
	Interest Rate Swaps	Yes*	No	No
Securities Lending and Borrowing (SLB) Segment	Listed equity	Yes#	No	No
Others	Units of Collective Investment Schemes (CIS)	Yes	No	No
	Security receipts issued by Asset Reconstruction Companies (ARCs)	Yes	No	No
	Units of Category I Alternative Investment Funds (AIFs)	No	Yes	Yes
	Units of Category II AIFs	No	Yes	No
	Category III AIFs	Yes	Yes	No
	Units of Real Estate Investment Trusts (ReITs)	Yes	Yes	No
	Units of Infrastructure Investment Trusts (InvITS)	Yes	Yes	No

* Additional asset class-specific and investment route-specific restrictions or conditions may be applicable.

** Units of short-term investment schemes of mutual funds – FPIs are not permitted to invest in liquid and money market mutual funds. Investments in debt mutual funds is reckoned under the corporate bond limits. Investments in mutual funds are not permitted under Voluntary Retention Route (VRR) route.

*** Unlisted corporate bonds are subject to end-use restrictions.

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

SLB is only available for FNO traded scrips; group I security having MWPL=> INR 1 billion and average monthly trading turnover=> INR 1 billion in the previous six months; and liquid index ETFs (traded on at least 80% of the days over a six month period and having impact cost of <= 1%). FPIs are not permitted to invest in partly-paid debt instruments.

4

Foreign Direct Investment (FDI)

4.1. Regulatory Framework Governing Foreign Direct Investment (FDI)

Investments under FDI route are governed by the following guidelines:

- Consolidated FDI Policy issued by the Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry. The FDI Policy can be accessed at - https://dpiit.gov.in/sites/default/files/FDI-PolicyCircular-2020-29October2020_0.pdf
- Foreign Exchange Management Act, 1999
 - Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 (Non-Debt Rules)
 - Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019 (Non-Debt Payment and Reporting Regulations)

4.2. Entry Routes for FDI

Under the FDI Scheme, non-residents can make investments in equity shares, fully, compulsorily and mandatorily-convertible preference shares as well as convertible debentures, and share warrants of an Indian company, either through the automatic route or through the Government approval route, based on the sector in which the FDI investment is being made.

4.2.1. Automatic Route

Certain investments by a person resident outside India does not require the prior approval from the Government of India (GoI) or the Reserve Bank of India (RBI).

Sectors allowed under the automatic route, subject to conditions and details thereon, can be accessed at -

https://dpiit.gov.in/sites/default/files/FDIPolicy_AutomaticRoute_26April2023.pdf
[Sectors in India](#) | [Sectors/ Industries in India](#) | [Invest India](#)

4.2.2. Government Approval Route

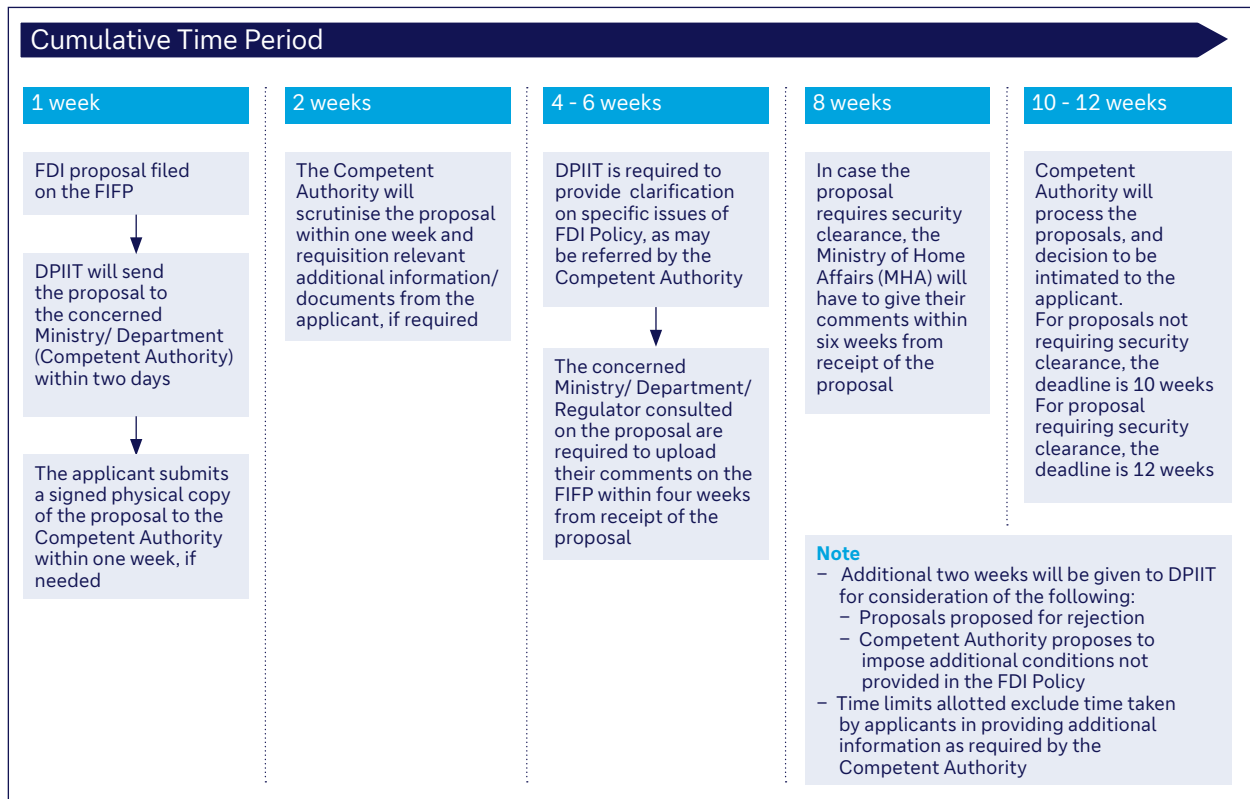
Investment by a person resident outside India in certain specified sectors requires prior approval from the GoI. In addition, an entity from a country, which shares land border with India or where the beneficial owner of an investment into India is situated in, or is a citizen of any such country, should seek prior approval from GoI.

Sectors requiring government approval, and details thereon, can be accessed at -
https://dpiit.gov.in/sites/default/files/FDIPolicy_GovernmentApprovalRequired_26April2023.pdf
[Sectors in India](#) | [Sectors/ Industries in India](#) | [Invest India](#)

4.3. Procedure for Government Approval

Application for government approval should be made online on Foreign Investment Facilitation Portal of DPIIT and will be reviewed and approved by respective Ministry/ Department.

Timelines for Application Approval



Online Filing of Application:

- The applicant is required to submit the proposal for foreign investment on the Foreign Investment Facilitation Portal (www.fifp.gov.in) along with supporting documents
- DPIIT will identify the concerned Administrative Ministry/ Department and e-transfer the proposal to the respective competent authorities within two days
- No physical copies are required to be submitted, if the application and documents are digitally signed
- For applications which are not digitally signed, DPIIT would inform the applicant through online communication to submit one signed physical copy of the proposal to the Competent Authority, within seven days of receipt of such communication. Additional seven days extension may be provided
- However, if the application is not submitted to the competent authority within 14 days, then the proposal will be treated as closed

Competent Authorities for Grant of Approval for Sectors/ Activities

Sector/ Activity	Administrative Ministry/ Department
Mining	Ministry of Mines
Defence - Items requiring Industrial License under the Industries (Development and Regulation) Act, 1951, and/ or Arms Act, 1959	Department of Defence Production, Ministry of Defence
Manufacturing of small arms, and ammunitions, private security agencies	Ministry of Home Affairs
Broadcasting, print media, and digital media	Ministry of Information and Broadcasting
Civil aviation	Ministry of Civil Aviation
Satellites	Department of Space
Telecommunication	Department of Telecommunications
Cases pertaining to Government approval route, sectors/ activities requiring security clearance as per extant FEMA Regulations, FDI Policy, and security guidelines	Nodal Administrative Ministries/ Departments
Trading (single, multi-brand and food product retail trading)	Department for Promotion of Industry and Internal Trade
Financial services not regulated by any financial sector regulator, foreign investment into a core investment company/ investing company	Department of Economic Affairs
Banking (public and private sectors)	Department of Financial Services
Pharmaceuticals	Department of Pharmaceuticals
<p>Following cases would be taken up by Concerned Administrative Ministry/ Department as identified by the DPIIT:</p> <ul style="list-style-type: none"> – Applications arising out of Press Note 3 (PN3), i.e., an entity of a country, which shares land border with India or where the beneficial owner of an investment into India is situated in or is a citizen of any such country – Any transfer of existing or future FDI in an entity in India resulting in change of beneficial ownership, as mentioned above needs prior approval – Issue of equity shares for import of capital goods/ machinery/ equipment (excluding second-hand machinery) – Issue of equity shares for pre-operative/ pre-incorporation expenses (including payments of rent, etc.) – Proposals by non-resident Indians (NRIs)/ export-oriented units (EOUs) requiring Government approval 	

The Procedure and Timelines for Processing of Applications are:

- The application is circulated online within two days by DPIIT to RBI for comments from FEMA perspective
- Application for foreign investment in sectors requiring security clearance would additionally be referred to Ministry of Home Affairs (MHA) for comments. Also, applications from regions like Pakistan and Bangladesh require MHA approval
- Categories of proposals which require security clearance from MHA have been provided by the Standard Operating Procedure (SOP)
- All proposals are forwarded to Ministry of External Affairs (MEA) for information
- Applications involving total foreign equity inflow of more than INR 50 billion, is placed for consideration of Cabinet Committee on Economic Affairs (CCEA). After the receipt of the decision of the CCEA, approval letter shall be issued within one week. The detailed SOP can be accessed here: <https://fifp.gov.in/Forms/SOP.pdf>

Monitoring and Review:

- Competent Authorities hold a regular monthly review on the foreign investment proposals pending with them

- Secretary, DPIIT, convenes review meetings, every four to six weeks, on pendency of FDI proposals with the concerned administrative ministries/ departments. The Secretaries of the concerned administrative ministries/ departments also attend the meetings
- Administrative ministries/ departments should maintain an updated database of all the proposals dealt by them, and update information regarding the physical receipt of the application and the decisions taken on the portal. They should also furnish a fortnightly report on pending proposals

4.4. Eligibility Norms

A person resident outside India (non-resident) can invest in Indian companies, subject to the FDI Policy except in those sectors/ activities which are part of the prohibited list.

However, an entity of a country, which shares land border with India or where the beneficial owner of an investment into India is situated in or is a citizen of any such country, shall invest only with prior government approval.

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

4.5. Prohibited Sectors for FDI

FDI is prohibited in the following sectors:

- Lottery business including government/ private lottery, online lotteries, etc.*
- Gambling and betting, including casinos, etc.
- Chit funds
- Nidhi company
- Trading in Transferable Development Rights (TDRs)
- Real estate business, or construction of farmhouses excluding development of townships, construction of residential/ commercial premises, roads or bridges and Real Estate Investment Trusts (REITs) registered and regulated under the SEBI (REITs) Regulations, 2014
- Manufacturing of cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes
- Activities/ sectors not open to private sector investment, e.g., atomic energy, railway operations, etc.

* Foreign technology collaboration in any form including licensing for franchise, trademark, brand name, management contract is also prohibited for lottery business, gambling and betting activities.

4.6. Caps and Conditions on Foreign Investments

Sectoral cap is the maximum amount which can be invested by foreign investors in an Indian entity, unless provided otherwise. It is composite and includes all types of foreign investments, direct and indirect. The sectoral caps are specified in Foreign Exchange Management (Non-Debt Instruments) Rules, 2019.

Investments in certain sectors have specific entry conditions. Such conditions may include norms for minimum capitalisation, lock-in period, etc. Besides the entry conditions for foreign investments, the investment/ investors are required to comply with all the relevant sectoral laws, regulations, rules, security conditions, and state/ local laws/ regulations.

Sector-wise details on caps and conditions on foreign investments are available on <https://www.investindia.gov.in/sectors>

4.7. Overview of Investments under FDI Scheme

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

Particulars	Details
Modes of Investment	<p>Primary route: A person resident outside India can invest in the fresh issues of equity instruments used by an Indian Company, under the FDI Scheme subject to compliance with the extant FDI policy and the FEMA Rules</p> <p>Secondary route:</p> <ul style="list-style-type: none"> – A person resident outside India can also acquire equity instruments of an Indian Company by way of transfer of existing shares by person resident in or outside India – A person resident in India, may transfer the equity instruments of an Indian company to a person resident outside India by way of sale, subject to the adherence to entry routes, sectoral caps or investment limits, pricing guidelines and other attendant conditions as applicable for the said investment along with documentation and reporting requirements as specified by the RBI in consultation with the Gol from time to time <p># Refer note below for various scenarios</p> <ul style="list-style-type: none"> – A person resident outside India may purchase capital instruments of a Indian company listed on a stock exchange in India, if: <ul style="list-style-type: none"> – The person resident outside India making the investment has already acquired control of such company in accordance with SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011 and continues to have such control – Consideration to be paid as inward remittance from normal banking channels or out of the dividend payable by the Indian investee company under specified conditions
Pricing Guidelines	<p>Primary route: An Indian company may issue fully paid-up equity shares to a person resident outside India at a price not less than:</p> <ul style="list-style-type: none"> – The price calculated as per SEBI guidelines for a listed company – The valuation of an unlisted Indian company as per internationally accepted methodology and duly certified by a merchant banker/ chartered accountant. The valuation certificate must not be more than 90 days old as on the date of the transfer <p>Secondary route: Transfer from a person resident outside India to a person resident in India shall be done at a price not exceeding:</p> <ul style="list-style-type: none"> – The price calculated as per SEBI guidelines in case of a listed company – The valuation of equity instruments done as per internationally accepted pricing methodology for valuation on an arm's length basis duly certified by a merchant banker/ chartered accountant in case of an unlisted Indian company – In case of swap of equity instruments, subject to the condition that irrespective of the amount, valuation involved in the swap arrangement shall have to be made by a merchant banker or an investment banker outside India
Account Structure	<ul style="list-style-type: none"> – The entity seeking to invest under FDI route, is permitted to open a securities and depository account with a custodian/ depository participant for safekeeping of the securities acquired – INR/ foreign currency cash account is not permitted to be opened. Flow of funds are conducted through normal banking channels or through an escrow account

Particulars	Details
Mode of Payment and Remittance of sale proceeds	<p>Mode of payment:</p> <ul style="list-style-type: none"> – The amount of consideration shall be paid as below: <ul style="list-style-type: none"> – Inward remittance from abroad through banking channels, or; – Out of funds held in NRE/ FCNR(B)/ escrow account maintained in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016 – The amount of consideration shall include: <ul style="list-style-type: none"> – Issue of equity shares to the investor by an Indian company against any funds payable by it – Swap of equity instruments – The capital instruments should be issued within 60 days from the date of receipt of the remittance. If not issued within the 60 days' time period, the amount of consideration should be refunded within 15 days from the date of completion of 60 days <p>Remittance of sale proceeds:</p> <ul style="list-style-type: none"> – Remittance of sale proceeds of a security (net of applicable taxes) to the seller of shares resident outside India is permitted, provided: <ul style="list-style-type: none"> – The security has been held on repatriation basis – The sale of security has been made in accordance with the prescribed guidelines, and – No Objection Certificate (NOC)/ Tax Clearance Certificate has been produced and necessary taxes paid – Dividends are subject to withholding tax provisions and can be repatriated subject to payment of applicable taxes, if any – Interest on fully, mandatorily, and compulsorily-convertible debentures is also subject to withholding tax provisions and can be repatriated subject to payment of applicable taxes

#Note: A person resident outside India, may transfer such equity instruments or units so held by him in compliance with the conditions, prescribed as hereunder:

- i. A person resident outside India (who is not an NRI/ OCI) can purchase from or transfer by way of sale or gift, the equity instruments of an Indian company or units held by him, to another person resident outside India (including NRIs). Prior government approval should be obtained for any transfer in case the company is engaged in a sector which requires government approval
- ii. A person resident outside India, may transfer the equity instruments of an Indian company to a person resident in India by way of sale or gift or may sell the same on a recognised stock exchange in India in the manner specified by SEBI
- iii. A person resident outside India holding equity instruments of an Indian company containing an optionality clause in accordance with the rules and exercising the option or right, can exit without any assured return, subject to the pricing guidelines prescribed in the rules and a minimum lock-in period of one year or minimum lock-in period as prescribed in the rules, whichever is higher
- iv. Cases where the total consideration of transfer of equity instruments between a person resident in India and a person resident outside India, does not exceed 25% of the total consideration, the same may be paid by the buyer on a deferred basis or may be settled through an escrow arrangement or may be indemnified by the seller within a period not exceeding 18 months from the date of the transfer agreement/ date of payment of the full consideration
- v. For transfer of equity instruments between a person resident in India and a person resident outside India, a person resident outside India may open an escrow account in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016
- vi. The transfer of equity instruments of an Indian company or units of an investment vehicle by way of pledge is permissible subject to certain conditions

4.8. Regulatory Reporting of Transactions

Reports	Reporting to	Frequency	Responsibility	Remarks
FDIs: Reporting requirement				
Issuance of shares (Form FC-GPR)	RBI	To be filed within 30 days from the date of issue of shares	Indian company through its AD Category-I Bank	Responsibility of filing with the issuer
Transfer of shares between resident and non-resident (Form FC-TRS)	RBI	To be filed within 60 days from the date of the receipt of consideration or receipt/ remittance of funds, whichever is earlier	Resident transferor/ transferee through its AD Category-I Bank	Responsibility of filing with the resident investor

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

5

Foreign Venture Capital Investors (FVCI)

Venture Capital (VC) investments are seen as an important channel to promote innovation, enterprises and commercialise scientific technology and knowledge-based ideas. The considerable potential of Venture Capital Funds (VCFs) for augmenting the growth of knowledge-based industries is relevant to several areas such as information technology, biotechnology, pharmaceuticals, agriculture, food processing, telecommunications, services, etc.

5.1. Legal and Regulatory Framework for FVCIs

Regulators	Key regulations applicable to FVCIs
SEBI	<ul style="list-style-type: none">– SEBI (Foreign Venture Capital Investors) Regulations, 2000 (FVCI Regulations)– SEBI (Alternative Investment Funds) Regulations, 2012 (AIF Regulations)
RBI	<ul style="list-style-type: none">– Foreign Exchange Management (Non-Debt Instrument) Rules, 2019 (Non-Debt Rules)– Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019 (Payment and Reporting for Non-Debt Instruments Regulations)

5.2. Definitions

Foreign Venture Capital Investor	An investor who is incorporated and established outside India, is registered with SEBI under SEBI (FVCI) Regulations and proposes to make investment in accordance with these regulations, and is deemed to be an intermediary in terms of the provisions of the Securities and Exchange Board of India Act, 1992
Venture Capital Fund (VCF)	A fund registered with SEBI under: <ul style="list-style-type: none">– AIF Regulations in the sub-category of 'VCF' as Category-I (Cat-I) AIF

Venture Capital Undertaking (VCU)	A domestic company which is: <ul style="list-style-type: none"> – Not listed on a recognised stock exchange in India at the time of making investment – Engaged in the business of providing services, production or manufacture of articles or things excluding below activities or sectors: <ul style="list-style-type: none"> – Non-Banking Financial Companies (NBFCs) registered with RBI, with the exception of Core Investment Companies (CICs) in the infrastructure sector, Asset Finance Companies (AFCs), and Infrastructure Finance Companies (IFCs) – Gold financing companies – Activities not permitted under the Industrial Policy of Government of India – Any other activity which may be specified by SEBI
Investible Funds	The funds committed for investments in India, net of expenditure for administration and management of the fund
Start-up	To qualify as a start-up entity following conditions have to be satisfied: <ul style="list-style-type: none"> – Entity (a Private Limited Company or a registered partnership firm or a LLP) incorporated/ registered in India within past five years – Annual turnover up to INR 250 million in the preceding financial year – Working towards innovation, development, deployment or improvement of products, processes or services or if it is a scalable business model with a high potential of employment generation or wealth creation – Satisfying conditions specified in FVCI Regulations
Equity-linked Instruments	Includes instruments convertible into equity shares or share warrants, preference shares, debentures compulsorily or optionally convertible into equity.

5.3. Market Entry

Foreign Investors seeking to invest in a VCU are required to seek registration under SEBI (FVCI) Regulations, 2000 through a Designated Depository Participant (DDP) in the form and manner specified by the Government or SEBI from time to time.

Existing FVCIs shall engage a DDP, with respect to continuance of registration as an FVCI, latest by March 31, 2025, failing which:

- i. No further investments will be permitted post March 31, 2025
- ii. Liquidate existing Investments in listed securities, by March 31, 2026
- iii. Liquidate other investments, by March 31, 2027

Note: (For the role of DDP please refer Chapter 6 – Foreign Portfolio Investor - section 6.2).

5.3.1. Eligibility Criteria

- The applicant should be an entity incorporated or established outside India or in International Financial Services Centre
- The applicant should be a resident of the country whose securities market regulator is a signatory to the International Organization of Securities Commission's (IOSCO) Multilateral Memorandum of Understanding (Appendix A Signatories) or a signatory to a bilateral Memorandum of Understanding with the Board, provided that an applicant being Government or Government-related investor shall be considered as eligible for registration, if such applicant is a resident in the country as may be approved by the Government of India
- The applicant is a bank, resident of a country whose central bank is a member of Bank for International Settlements (BIS):
 - Provided that a central bank applicant need not be a member of BIS

- Provided further that the above condition shall not apply in case the applicant is regulated by the banking sector regulator in its home jurisdiction even if the central bank of that country is not a member of BIS
- The applicant or its beneficial owners identified in accordance with Rule 9 of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005, shall not be the person(s) mentioned in the Sanctions List notified from time to time by the United Nations Security Council and is not a resident in the country identified in the public statement of Financial Action Task Force as:
 - a jurisdiction having a strategic Anti-Money Laundering or Combating the Financing of Terrorism deficiencies to which counter measures apply
 - a jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with the Financial Action Task Force to address the deficiencies
- The 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

5.3.2. FVCI Registration Documentation and Fees Requirement

FVCI applicant shall submit the following documents along with registration fee:

- Duly filled application form (Form-A). The application form in original should be duly signed.
- Copy of registration/ license certificate issued by the applicant's securities market or banking regulator
- Beneficial ownership details
- KYC documents (refer table below)

Applicable Fee

Fee Type	Amount (in USD)
Registration Fee	2,500 + GST @18% = 2,950

KYC documentation applicable for FVCIs shall be as under:

Document Type	KYC Documentation Details
Applicant Level	Constitutive Docs (MoA, COI, Prospectus etc.)
	Proof of Address ¹
	PAN
	Board Resolution ²
	FATCA/ CRS Form
	Form/ KYC Form
Authorised Signatories	List of Signatures ²
Ultimate Beneficial Owner (UBO)	List of UBO including the details of Intermediate BO ³
	Proof of Identity
¹ Power of Attorney having address provided to the Custodian is accepted as address proof	
² Power of Attorney granted to Global Custodian/ Local Custodian is accepted in lieu of Board Resolution. Board Resolution and the authorised signatory list is not required if SWIFT is used as a medium of instruction	
³ UBO is not required for Government and Government-related entities	

Notes to the Table:

- i. FVCI shall provide an undertaking that upon demand by regulators/ law enforcement agencies, the exempted/ relevant document/s would be submitted to the local intermediary
- ii. For non-PAN-related KYC documents (including KYC form), a local custodian can rely on KYC carried out by another entity of the same financial group (like a Global Custodian

- or Investment Manager) which is regulated and coming from an FATF member country, where KYC is carried out as per their home jurisdiction standards. Where this reliance is placed, such entity/ FVCI shall provide an undertaking to the effect that the relevant KYC documents, would be submitted to the DDP/ local intermediary when required by regulators/ law enforcement agency/ government departments/ tax authority, etc. However, the custodian/ local intermediary will be required to collect the constitution documents and Beneficial Owner (BO) related declarations (wherever applicable) of the FVCI and also, upload the evidence of KYC reliance on KRA
- iii. Prospectus and Information Memorandum are acceptable in lieu of an official constitutional document
 - iv. Valid FATCA/ CRS documentations is required to be submitted at the time of account opening
 - v. Intermediary can verify the PAN of FVCIs online from website authorised by the Income-Tax department. To clarify no certification of PAN document required from FVCIs. Alternatively, e-PAN issued by CBDT can also be produced by FVCI for KYC compliance without requiring any certifications. In such situations where the intermediary is relying on KRA, it shall verify the PAN and download the available documents from KRA. PAN is not mandatory for UBO, senior management and authorised signatories of FVCI
 - vi. PAN is not mandatory for UN entities/ multilateral agencies exempt from paying taxes/ filing tax returns in India

5.3.3 Continuance/ Renewal of Registration

The registration granted by the DDP on behalf of the Board under these regulations shall be permanent unless suspended or cancelled by the Board or surrendered by the foreign venture capital investor. To keep the registration in force, the FVCI shall pay renewal fee as specified

- FVCIs registered on or before December 31, 2019:
 - Pay the renewal fee to their DDP
 - Intimate any changes in information submitted earlier by March 31, 2025
- FVCI registered after December 31, 2019, shall:
 - Pay the renewal fee to their DDP
 - Intimate any changes in information, submitted earlier, at least 15 days before the completion of five years from the date of such registration

Fees

Fee Type	Amount (in USD)	Late Fee (in USD)
Continuance/ Renewal Fee	100 + GST @18% = 118/-	5 per day for each day of delay, subject to maximum of 150

5.3.4 Conditions of SEBI FVCI Certificate

Certificate granted is subject to the following conditions:

- FVCI to abide by the provisions of the Act and the specified regulations
- FVCI to appoint a domestic custodian for purpose of custody of securities
- FVCI to enter into an arrangement with a designated bank for the purpose of operating a special non-resident rupee or foreign currency account
- FVCI should forthwith inform SEBI in writing if any information or particulars previously submitted to SEBI are found to be false or misleading in any material or if there is any change in the information already submitted
- FVCI shall provide necessary information sought by the DDP to review the eligibility of the entity and also keep the DDP informed in case of any change to any of the factor that impact the eligibility of the entity to continue to be registered as FVCI

5.3.5 Account Structure

For undertaking transactions as a FVCI post-receipt of the approval from SEBI, the entity is permitted to open:

- A securities and depository account with the custodian
- A non-interest-bearing foreign currency account and Special Non-resident Rupee account with a Cat-I Authorised Dealer Bank

5.4. Other Applicable Norms

5.4.1 Name Change

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

The documents relevant for name change are:

- Information available on the website of the home regulator
- Certified copy of documents from home regulator evidencing the name change
- Certified copy of documents from Registrar of Company (or equivalent authority) (wherever applicable) issued, thereby evidencing the name change
- Where the above is not applicable, a Board Resolution, or equivalent, authorising the name change
- An undertaking by the FVCI stating that it is a mere name change and does not involve change in beneficial ownership, category or structure

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

FPIs undergoing a name change also have to apply for PAN card reflecting the new name as soon as possible but not later than seven working days. The PAN card in the new name will be required to complete the KYC on the KRA and amend the name on the depository and banking records.

5.4.2 Home Jurisdiction Compliance

- If a jurisdiction, which was compliant with eligibility criteria of FVCI Regulations at the time of the grant of registration to an FVCI, becomes non-compliant i.e., ceases to be member of IOSCO/ BIS or the concerned jurisdiction is listed in FATF public statement as 'high risk' and 'non-cooperative' jurisdiction, then concerned custodian shall not allow the FVCIs belonging to such jurisdictions to make fresh purchases till the time the jurisdiction is compliant with eligibility criteria of FVCI Regulations. However, the FVCI shall be allowed to continue to hold the securities already purchased by it or sell the same in the market until the expiry of its existing registration
- The DDP shall inform SEBI of FVCIs from such non-compliant jurisdiction

5.4.3 Change in Material Information

- Under the regulations, if there is any change in material information previously furnished by the FVCI to the DDP and/ or SEBI, which has a bearing on the certificate granted, then the FVCI shall inform DDP of the change in such information within seven working days

Material change may include any direct or indirect change in its structure or ownership or control

- The DDP shall examine all such material changes and re-assess the eligibility of the FVCI
- Any change in the material information which has a bearing on the certificate granted by the DDP will be categorised as per types

- ‘Type I’ changes, include critical material changes to be informed by FVCI to DDP as soon as possible and within seven working days of the occurrence of the change, and providing supporting documents within 30 days of such change
- ‘Type II’ changes, include any material changes other than those categorised under ‘Type I’, to be informed and supporting documents (if any) to be provided by FVCI to DDP as soon as possible and within 30 days of such change
- Where there is a delay of more than seven days for intimation of material change by the FVCI to the DDP for Type I change and 30 days for sharing documents for Type I and Type II changes, the DDP shall, inform all such cases to SEBI for appropriate action, if any, within two working days

Types of Material Changes

Type I changes are critical material changes that:
– render the FVCI ineligible for registration
– require FVCI to seek fresh registration
– render FVCI ineligible to make fresh purchase of securities
– impact any privileges (e.g. QIB) available or granted to the FVCI under the extant regulatory framework
– impact any exemptions available or granted to the FVCI under the extant regulatory framework

Accordingly, below are the categories of changes:

Type I changes	Type II changes
Change of jurisdiction	Any material changes other than those considered as ‘Type I’ material changes. This includes ‘deletion of sub-fund/ share classes/ equivalent structure that invests in India’
Name change on account of acquisition, merger, demerger, restructuring, change of ownership/ control	
Acquisition/ merger/ demerger resulting in cessation of existence of FVCI	
Restructuring of legal form (e.g. Corporate to Trust)	
Change in regulatory status of the FVCI (e.g. Regulated to Unregulated fund)	
Change in compliance status of jurisdiction of FVCI/ BO	
Any information or particulars previously submitted to the Board or DDP are found to be false or misleading, in any material respect	
Any penalty, pending litigation or proceedings, findings of inspections or investigations for which action may have been taken or is in the process of being taken by an overseas regulator	
Breach of any of the eligibility criteria of applying for a FVCI registration as specified under section 5.3.1 above	

5.5. Investment Guidelines

Investment Restrictions	
Permitted Investment for FVCI	<ul style="list-style-type: none"> – Securities (not listed on a recognised stock exchange at the time of issue) of an Indian company engaged in the 'Permitted Sectors' – Securities issued by an Indian 'Start-Up' irrespective of the sector of the start-up – Units of a VCF or of a Cat-I AIF or units of a scheme or of a fund set up by a VCF or by a Cat-I AIF – There will be no restriction on transfer of any security/ instrument held by the FVCI to any person resident in or outside India – An FVCI may purchase the permitted securities/ instruments either from the issuer of those securities/ instruments or from any person holding those securities/ instruments – FVCI may acquire/ transfer securities, it is allowed to invest in, at a price mutually acceptable to both buyer and seller – Investment by an FVCI in capital instruments of an Indian company will be subject to the reporting, sectoral caps, entry routes and attendant conditions
Investment Conditions	<ul style="list-style-type: none"> – Investments to be in accordance with the investment strategy submitted to SEBI – Permitted to invest its total funds committed in single VCF or AIF – Cannot invest in companies engaged in excluded activities mentioned in the VCU definition
Permitted Investment Split (to be achieved by the FVCI by the end of its life-cycle)	<ul style="list-style-type: none"> – Minimum 66.67%, i.e., 2/3rd of the investible funds to be invested in unlisted equity shares or Equity Linked Instruments of VCU or Investee Company – Maximum 33.33%, i.e., 1/3rd of the investible funds can be invested in: <ul style="list-style-type: none"> – IPOs of a VCU or Investee Company as defined above, whose shares are proposed to be listed – Debt or debt instrument of VCU or Investee Company in which the FVCI has already made an investment by way of equity – Preferential allotment of equity shares of a listed company, subject to a lock-in period of one year – SPV created for the purpose of facilitating or promoting investment under the FVCI Regulations
Payment and Remittance	
Mode of Payment	<ul style="list-style-type: none"> – Consideration to be paid as inward remittance from abroad through banking channels or out of funds held in a Foreign Currency Account (FCA)/ Special Non-Resident Rupee (SNRR) – FCA and SNRR to be used only for FVCI transactions unless specifically permitted otherwise
Remittance of Sale/ Maturity Proceeds	The sale/ maturity proceeds (net of taxes) of the securities may be remitted outside India or may be credited to the FCA or SNRR of the FVCI

Permitted Sectors for FVCI	<p>Following sectors are considered as permitted sectors for FVCI investments:</p> <ul style="list-style-type: none"> – Biotechnology – IT related to hardware and software development – Nanotechnology – Seed research and development – Research and development of new chemical entities in pharmaceutical sector – Dairy industry – Poultry industry – Production of biofuels – Hotel-cum-Convention Centres with seating capacity of more than three thousand – Infrastructure sector (includes activities within the scope 'infrastructure' under the External Commercial Borrowing guidelines/ policies)
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5.6. Reporting Requirement

Report	Reporting To	Frequency	Responsibility	Remarks
Online Filing of Investment Activity	SEBI	Quarterly	FVCI	Within fifteen working days from the end of the previous quarter [#]

Reporting through online portal at: <https://siportal.sebi.gov.in/intermediary/index.html>

Reporting Format can be accessed at:

https://www.sebi.gov.in/legal/circulars/sep-2024/reporting-by-foreign-venture-capital-investors_86680.html

[#]The report for the quarter-ending September 30, 2024 and December 31, 2024 shall be submitted in excel file in the revised format by November 15, 2024 and January 15, 2025 respectively through email at fvci-report@sebi.gov.in. From quarter-ending March 31, 2025 onwards, quarterly reporting as per the above table shall be followed.

5.7. Surrender of Registration

- A FVCI intending to surrender its certificate of registration, may make an application to the DDP
- DDP shall in-turn seek a 'No Objection Certificate' (NOC) from SEBI to process such surrender after ensuring that the holdings of the FVCI in the security account and bank are NIL

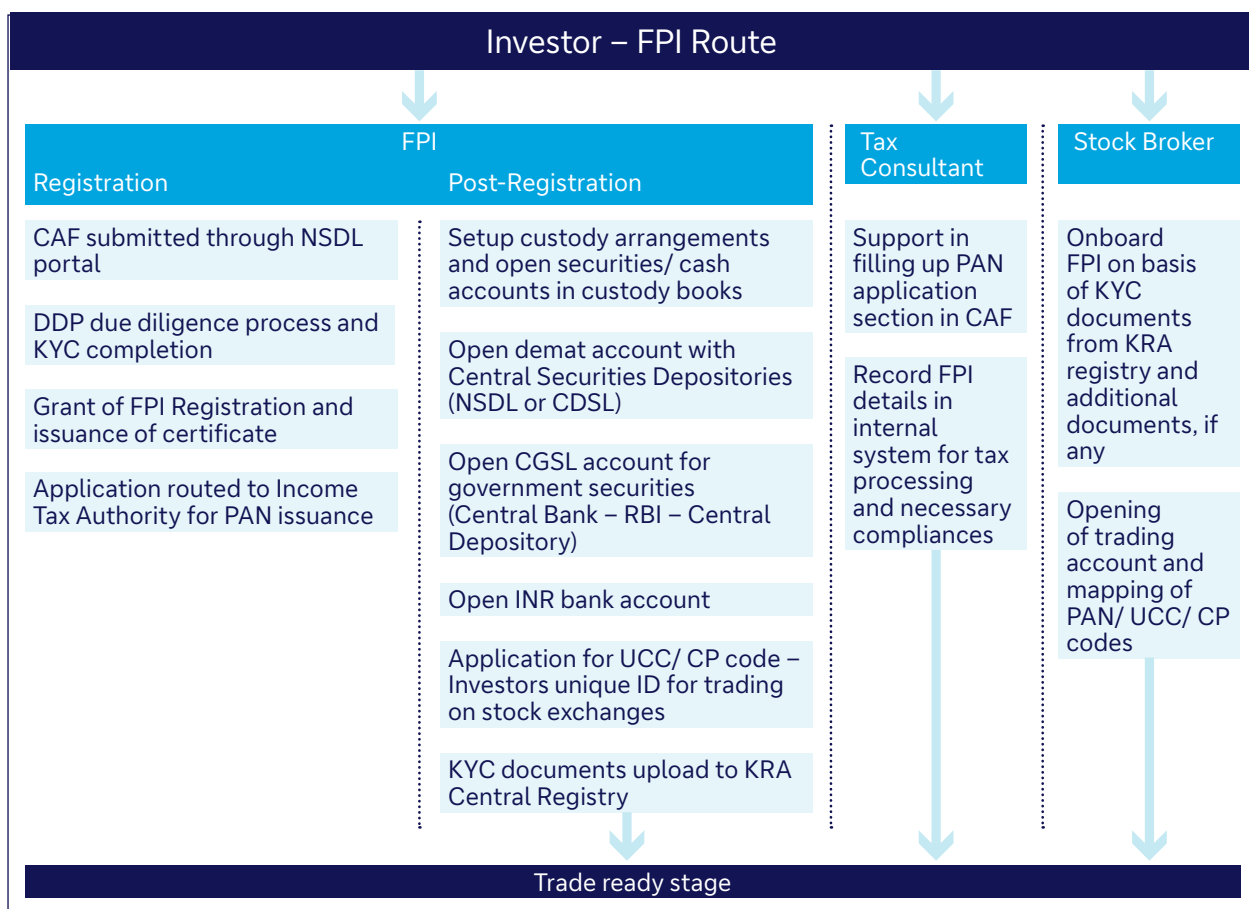
6

Foreign Portfolio Investor (FPI) – Market Entry

6.1. Introduction

The Foreign Portfolio Investor (FPI) regime was introduced in 2014 by merging the erstwhile Foreign Institutional Investor (FII/ Sub-account) route and the Qualified Foreign Investor (QFI) route, bringing about important changes focusing on efficiency in key market processes. In 2019, the Securities and Exchange Board of India (SEBI) introduced transformative changes to improve the ease of doing business, aimed to simplify and rationalise the existing regulatory framework for FPIs in terms of operational constraints and compliance requirements.

Foreign Portfolio Investors – Market Entry Flowchart



6.2. Designated Depository Participants (DDPs)

Designated Depository Participant (DDP) is an intermediary approved by SEBI to perform due diligence as per FPI Regulations and grant certificate of registration to FPIs on behalf of SEBI. DDPs should also be a custodian of securities registered with SEBI, an Authorised Dealer Category-I Bank authorised by the RBI, and a Depository Participant with NSDL and CDSL. The FPI or its Global Custodian is required to enter into an agreement with the respective DDP, to act as the custodian of securities, before making investments under the FPI Regulations.

6.3. FPI Eligibility Criteria

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

- The applicant is not a Resident Indian (RI)
- The applicant is not a Non-Resident Indian (NRI) or Overseas Citizen of India (OCI)
- NRI or OCI or RI can be constituents of FPIs, if they satisfy the following conditions:
 - Contributions by NRI/ OCI/ RI including those of NRI-/ OCI-/ RI-controlled Investment Manager should be:
 - Below 25% of the corpus of the FPI, from a single NRI/ OCI/ RI, and
 - In aggregate, below 50% of the corpus of the FPI

Explanation: Resident Indian individual's contribution is permitted, if made through the Liberalised Remittance Scheme (LRS) approved by the RBI, in global funds whose Indian exposure is less than 50%
 - 100% participation by NRI, OCI, and RI individuals permitted for FPIs based out of International Financial Services Centres (IFSCs) of India, subject to additional disclosure requirements
 - RIs (other than individuals) can be constituents of FPI provided that the below-mentioned conditions are fulfilled:
 - Such RI (other than individuals) is an eligible fund manager of the applicant, as per Section 9A (4) of the Income Tax Act, 1961
 - FPI applicant is an Eligible Investment Fund as per Section 9A (3) of Income Tax Act, 1961 which has been granted approval under the Income Tax Rules, 1962
 - Alternately, RIs (other than individuals) can be constituents of FPI provided that:
 - Applicant is an Alternative Investment Fund (AIF) set up in the International Financial Services Centre (IFSC) and regulated by the International Financial Services Centres Authority (IFSCA)
 - RI (other than individual) is the sponsor or manager of the applicant
 - Contribution of the RI (other than individual) is:
 - Lower of 2.5% of the applicant's corpus or USD 0.75 million, in case of applicant being Cat-I or Cat-II AIF
 - Lower of 5% of the applicant's corpus or USD 1.5 million in case of applicant being Cat-III AIF
 - NRIs/ OCIs/ RIs cannot be in control of FPIs. However, FPIs can be controlled by investment manager which are owned/ controlled by NRIs/ OCIs/ RIs, if the following conditions are satisfied:
 - The investment manager entity is appropriately regulated in its home jurisdiction and registers itself with SEBI as a non-investing FPI, or
 - The investment manager is an entity incorporated or setup under Indian laws and appropriately registered with SEBI, or
 - FPIs which are 'offshore funds' for which a no-objection certificate has been provided by SEBI in terms of SEBI (Mutual Funds) Regulations, 1996
- The applicant is a resident of a country whose securities market regulator is a signatory to International Organisation of Securities Commission's (IOSCOs), Multilateral Memorandum of Understanding (MMoU) (Appendix-A Signatories) or a signatory to Bilateral Memorandum of Understanding (MoU) with SEBI
- Government or Government-related entities from non-IOSCO jurisdictions are eligible for FPI registration, if they are residents in a country as may be approved by Government of India (GoI). For such entities, the application would be processed in consultation with SEBI and GoI

- The current list of permissible IOSCO jurisdictions can be accessed at the following link: <https://www.iosco.org/about/?subSection=mmou&subSection1=signatories>
- The list of countries that have Bilateral MOU with SEBI is available at the following link: http://www.sebi.gov.in/cms/sebi_data/internationalAffr/IA_BilMoU.html
- In case the applicant is a bank, it should be a resident of a country whose central bank is a member of Bank for International Settlements (BIS). If a central bank is the applicant, the central bank need not be member of BIS, provided they have specific approval from Government of India
- List of countries whose central bank is a member of the BIS is available at the following link: http://www.bis.org/about/member_cb.htm
- Banks regulated by the banking sector regulator in their home jurisdiction, whose central bank is not a member of BIS, are permitted to seek registration under Category-II
- FPI or its underlying investor contributing 10% or more of the corpus or identified on basis of control should not be in the ‘sanctions list’ notified by the United Nations Security Council (UNSC) or a jurisdiction mentioned in public statement of the Financial Action Task Force (FATF) as:
 - A jurisdiction having a strategic Anti-Money Laundering (AML) or Combating the Financing of Terrorism (CFT) deficiencies to which counter measures apply, or
 - A jurisdiction that has not made sufficient progress in addressing deficiencies or has not committed to an action plan developed with the FATF to address the deficiencies
 - List of countries that are listed in the public statements issued by FATF is available at the following link: <https://www.fatf-gafi.org/en/topics/high-risk-and-other-monitored-jurisdictions.html>
- The applicant is a Fit and Proper Person based on the criteria specified in Schedule-II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008
- Any other criteria specified by SEBI from time to time

6.4. Categorisation

A foreign investor shall seek registration as an FPI under any one of the below two categories:

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

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

'From an FATF-member country' means that the entity has its primary place of business in an FATF-member country and, if regulated, is appropriately regulated in an FATF-member country.

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

Notes to the Categorisation Table:

- **Appropriately regulated** - An entity which is regulated by the securities market regulator or the banking regulator of home jurisdiction or otherwise, in the same capacity in which it proposes to make investments in India. An entity incorporated or established in an IFSC shall be deemed to be appropriately regulated
- **Government agency** - An entity in which more than 75% of ownership or control is held by the Government of a foreign country
- **Investment manager** - Shall include an entity performing the role of investment manager or any equivalent role, including trustee
- **Re-categorisation** - An FPI desirous to be re-categorised from Category-II FPI to Category-I FPI, can send a request to DDP along with requisite information, documents, and payment of applicable fees for Category-I registration

6.5. FPI Registration Documentation and Fees Requirement

6.5.1. Common Application Form

The application procedure, for FPIs, has been simplified by the introduction of single application namely, the Common Application Form (CAF). CAF along with the 'Annexure to CAF' serves as a comprehensive form for:

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

FPIs have to submit the CAF and Annexure to CAF, to the DDP along with supporting documents and applicable fees for SEBI registration and issuance of PAN. CAF can be accessed on the Depository website. Application for allotment of PAN (which would be a part of CAF) is forwarded to Income Tax Authority by the DDP through NSDL/ CDSL after FPI registration certificate is generated.

6.5.1.1. Timeline to Grant Registration

DDPs to ensure closure of Common Application Form (CAF) towards fresh registration of FPI within 30 days, in case the complete set of documents and registration fees are not received by the DDP/ Custodian, below is the date-wise approach that is required to be followed:

Day 1	CAF Generated
Day 10	Reminder 1 to Compliance Office (CO) stating - Documents and/ or Fees awaited
Day 20	Reminder 2 to CO stating - Documents and/ or Fees awaited
Day 30	Closure Notification to go to CO with a clarity that 'On receipt of documents and/or fees, the application will be reinstated without any additional fees'
Future Day X	Hypothetical date: Once all original documents and SEBI fees are received – Application to be re-opened with status 'Documents and Fees Received – Under-process with DDP'. From tracking perspective, this will be considered as Day 1, and the 30-day process will restart
Future Day X+n	Status 'Registration Granted' (n is <30 days)

6.5.2. Registration Documentation

Documentation requirement for registration as FPI:

- Common Application Form
- Annexure to CAF
- KYC documentation and other registration documents (refer table below)
- Legal Entity Identification document
- Declaration and documents related to granular disclosure

As per SEBI's guidance – in terms of the PML Act and the PML Rules, the clients of reporting entities shall be natural persons or legal entities

If the FPI is not a legal entity, then FPI applicants need to identify the underlying legal entity and submit its necessary formation documents and KYC.

6.5.2.1. Additional Registration Documents

Sr. No.	Document	Guidance Comment
1	Memorandum and Articles of Association, or any other equivalent formation document	To be Notarised by a Notary Public, or certified by a Foreign Multinational Bank (Certification should bear the Name, Date and Designation, and the Bank Stamp)
2	SEBI Registration Fees	Cat-I: USD 2,950 (registration + GST @18%) + USD 20 (PAN application) Cat-II: USD 295 (registration + GST @18%) + USD 20 (PAN application)
3	Undertaking from Investment Manager	To be obtained, if the entity seeking license is – Unregulated fund from FATF-member countries whose investment manager is regulated and registered as a Cat-I FPI – An entity whose investment manager is from FATF-member country, and such an investment manager is registered as a Cat-I FPI

Sr. No.	Document	Guidance Comment
4	Undertaking from Eligible Category-I entity	To be obtained from entity seeking FPI Category-I license and is at least 75% owned by the following entities from FATF-member countries: <ul style="list-style-type: none"> – Pension funds and/ or University funds – Regulated entities such as insurance or reinsurance entities, banks, asset management companies, investment managers, investment advisors, portfolio managers, broker dealers, and swap dealers – Regulated funds, University-related endowments (university must have existed for more than five years), Unregulated funds with regulated investment manager who is registered as a Cat-I FPI

6.5.3. Registration Fee

The registration fee structure is summarised below:

Category	Entities	Validity of Registration
I	USD 2,500* + GST @18%	3 years
II	USD 250 + GST @18%	3 years

*The fee is exempt for international or multilateral agency such as World Bank and other institutions, established outside India for providing aid, which have been granted privileges and immunities from payment of duties and taxes by the Government of India.

Note: The DDPs receiving the applicable registration fees from the FPIs are responsible to transfer the funds to the designated bank account of SEBI on a monthly basis.

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

6.5.4. FPI registration forms and links

Particulars	Forms	Links
Application to DDP Application form for Grant of Registration which includes:	Common Application Form (CAF): CAF is a digital form hosted online on the NSDL website. CDSL has also been permitted to accept and process the CAF	nsdl.co.in
	Annexure to the CAF	nsdl.co.in
	User Registration for CAF portal	NSDL: User Registration Form

6.5.5. Registration Validity and Renewal of Registration

The FPI registration is permanent until cancelled or surrendered. The FPI is required to pay fees once every three years from the date of initial registration to maintain continuance of registration. For continuance of the registration, FPIs need to file their request along with applicable fees at least 15 days prior to current validity of its registration. FPI needs to have a valid registration as long as it is holding securities or derivatives position in India.

If fees for continuance are not paid, FPI registration shall cease to be valid after the date, up to which the last registration fees were duly paid by the FPI.

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

However, further purchases will be restricted till due diligence is completed and intimation of continuance is provided by DDP.

Documents for Renewal of FPI Registration	
Continuance of Registration	For Continuance of Registration, the FPI will need to submit the following, 15 days prior to expiry of registration: <ul style="list-style-type: none"> – Covering letter for renewal of FPI registration – Fees (applicable as per the category in which it is registered) – Declaration, if there are changes in any information submitted to SEBI/ DDP earlier – In case of change in information, inform about the change, provide additional information and supporting documents as applicable
Regulatory Approval	To be issued by DDP on behalf of SEBI
Other KYC Document Requirements	Supporting documents for completion of KYC

6.5.5.1. Re-activation of Registration

FPIs are permitted to re-activate their registration within 30 days from the date of expiry of registration by paying the registration fee along with a late fee, and subject to compliance with KYC requirements.

Until re-activation of registration within 30 days, the FPI is permitted to only sell securities held in its account; no fresh purchases will be permitted.

6.5.5.2. Renewal Fee

The renewal fee structure is summarised below:

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

*The late fee is to be calculated from the date of expiry till the value date of the fee received by the DDP/ Custodian. This period should be within 30 days from the expiry of registration.

6.5.5.3. Securities Disposal

FPI that has failed to re-activate its registration within the prescribed time period, may dispose the securities held in its account only post completion of KYC by the Custodian as per the below table :

Timeline	Activity
Disposal period - within 180 days from the expiry of the prescribed 30-days re-activation period	<ul style="list-style-type: none"> – Only sale of existing securities permitted – No purchase of securities allowed – No financial disincentive applicable
Additional 180-day period, after expiry of the disposal period	<ul style="list-style-type: none"> – Only sale of existing securities permitted – No purchase of securities allowed – Financial disincentive @ 5% of the sale proceeds deducted by the respective custodian, from the FPI's sale proceeds, and to be transferred to SEBI's IPEF (Investor Protection and Education Fund)

Timeline	Activity
After expiry of the total 360-day period	<ul style="list-style-type: none"> – Securities remaining unsold in the FPI account are deemed to have been compulsorily written-off by the FPI – FPI loses any beneficial interest in the said securities including voting rights or any benefits arising from corporate action – Such written-off securities will be transferred to a pool account of an Exchange-empanelled Broker, who will try to dispose-off such securities and credit the settlement proceeds to the SEBI IPEF

6.6. Requirement of Permanent Account Number (PAN)

Every entity registered as an FPI in India is required to obtain a tax registration number (PAN), prior to commencing its investments in the Indian capital market. PAN is also a mandatory requirement for opening of cash and depository accounts. Further, the PAN is also mandatory for non-investing FPI's.

With the introduction of the CAF, the registration process will be followed with the issuance of PAN by the Income Tax authorities. The information and documents submitted at the time of registration are used for the purpose of issuance of PAN.

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

In case of any name change, FPI shall, as soon as possible but not later than seven working days, apply for appropriate change in name in the PAN records as well.

6.7. Other Applicable Norms

6.7.1. Multi-Managed FPI Entities

Entities engaging in multiple investment managers (MIM structure), are permitted to obtain multiple registrations for each investment manager.

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

6.7.2. Name Change

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

The documents relevant for name change are:

- Information available on the website of the home regulator
- Certified copy of documents from home regulator evidencing the name change
- Certified copy of documents from Registrar of Company (or equivalent authority) (wherever applicable) issued, thereby evidencing the name change
- Where the above is not applicable, a Board Resolution, or equivalent, authorising the name change
- An undertaking by the FPI stating that it is a mere name change and does not involve change in beneficial ownership, category or structure

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

FPIs undergoing a name change also have to apply for PAN card reflecting the new name as soon as possible but not later than seven working days. The PAN card in the new name will be required to complete the KYC on the KRA and amend the name on the depository and banking records.

6.7.3. Home Jurisdiction Compliance – Change in Status

- If a jurisdiction, which was compliant with eligibility criteria of 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 the concerned DDP shall not allow the FPIs belonging to such jurisdictions to make fresh purchases till the time the jurisdiction is compliant with eligibility criteria of FPI Regulations. However, the FPI shall be allowed to continue to hold the securities already purchased by it or sell the same in the market until the expiry of its existing registration
- The DDP shall inform SEBI about the FPIs from such non-compliant jurisdictions

6.7.4. Change in Material Information

- Under the regulations, if there is any change in material information previously furnished by the FPI to the DDP and/ or SEBI, which has a bearing on the certificate granted, it shall inform the DDP of the change in such information **within seven working days**
- Material change may include the following:
 - Any direct or indirect change in its structure or ownership or control
 - Change in name, regulatory status
 - Merger, demerger, or restructuring
 - Change in category/ sub-category/ structure/ jurisdiction/ name of FPI or beneficial ownership
- The DDP shall examine all such material changes and re-assess the eligibility of the FPI
 - Any change in the material information which has a bearing on the certificate granted by the DDP will be categorised as per following types:
 - 'Type I' changes, include critical material changes to be informed by FPIs to DDPs as soon as possible and within seven working days of the occurrence of the change, and providing supporting documents within 30 days of such change
 - 'Type II' changes, include any material changes other than those categorised under 'Type I', are to be informed, and supporting documents (if any) to be provided by FPIs to DDPs as soon as possible and within 30 days of such change
- Material change also includes deletion of sub-fund/ share classes/ equivalent structure that invests in India
- Where there is a delay of more than seven days for intimation of material change by the FPI to the DDP for Type I change and 30 days for sharing documents for Type I and Type II changes, the DDP shall inform all such cases to SEBI for appropriate action, if any, within two working

- days
- Type I changes are critical material changes that:
 - Render the FPI ineligible for registration
 - Require the FPI to seek fresh registration
 - Render the FPI ineligible to make fresh purchase of securities
 - Impact any privileges (e.g. QIB) available or granted to the FPI under the extant regulatory framework

6.7.4.1. Below are the Categories of Changes:

Type I Changes	Type II Changes
Change of Jurisdiction	Any material changes other than those considered as ‘Type I’ material changes. This includes “deletion of sub-fund/ share classes/ equivalent structure that invests in India”
Name change on account of acquisition, merger, demerger, restructuring, change of ownership/ control	
Acquisition/ merger/ demerger resulting in cessation of existence of the FPI	
Restructuring of legal form/ sub-category (e.g. Corporate to trust)	
Change in regulatory status of the FPI (e.g. regulated to unregulated fund)	
Change in compliance status of jurisdiction of FPI/ BO	
Reclassification of the FPI from Category I to Category II	
Addition of FPI(s) to any existing/ new investor group(s)	
FPIs obtaining registration under Category-I on support of an Investment Manager (IM) and such IM being either removed (temporarily/ permanently) or losing its Category I eligibility	
Breach of prescribed threshold for aggregate contribution of NRIs, OCIs and RIs	
Any information or particulars previously submitted to SEBI or DDP are found to be false or misleading, in any material respect	
Any penalty, pending litigation or proceedings, findings of inspections or investigations for which action may have been taken or is in the process of being taken by an overseas regulator	
Changes which impact any exemption granted in terms of SEBI Circular dated August 24, 2023	
Breach of any of the eligibility criteria of applying for a FPI registration as specified under section 6.3 above	

With each Material Change reporting, the following declarations are to be provided by FPI’s:

Section - A

- We have evaluated the material change reported herein in-line with the FPI Regulations, and we confirm that this change does not impact our existing investor group/ clubbing of investor groups

OR

- We have evaluated the material change reported herein in-line with the FPI Regulations, and we confirm that this change impacts our existing investor group/ clubbing of investor groups, the details of updated investor grouping is enclosed herewith as annexure

Section - B

- We confirm that this change does not impact any conditions for meeting the eligibility criteria under FPI Regulations 2019, including the fit and proper person criteria as per Schedule II of the SEBI (Intermediaries) Regulations, 2008

Section - C

- We also hereby confirm that there is no change in any other material information, other than the one furnished/ submitted to DDP

6.7.5. Change in Custodian/ DDP

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

- Submitted by the FPI or its GC, provided the GC has been explicitly authorised to take such steps by the FPI entity. In case of the request for change being received from a GC, the new Transferee Custodian/ DDP should inform the Compliance Officer of the FPI regarding the change in their local Custodian/ DDP
- Approved by the new Transferee Custodian/ DDP on receipt of the no objection letter from the existing Transferee Custodian/ DDP
- New Transferee Custodian/ DDP may rely on the due diligence carried out by the existing Transferee Custodian/ DDP
- The new Transferee Custodian/ DDP is required to carry out adequate due diligence at the time when the FPI applies for continuance of its registration on an on-going basis
- FPI to ensure the change of DDP/ Custodian is effected within 30 days of receipt of such approval
- Joint confirmation letter duly signed by the new as well as outgoing Custodian/ DDP to be submitted to SEBI post-completion within 30 days of the approval letter

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

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

- Banks, including private banks and merchant banks
- Asset Management Companies, Investment Managers, Investment Advisors, Portfolio Managers
- Insurance and reinsurance entities
- Broker dealers and swap dealers

Conditions under which the Category-II registration would be granted:

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

Format for Quarterly Reporting

Name of FPI:

FPI Registration Number:

We herewith submit the investor details of our clients

Details of Clients

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

6.7.7. Surrender of Registration

An FPI intending to surrender its certificate of registration may make an application to the DDP which should include the following details:

- Confirmation of no dues/ fees pending towards SEBI
- Confirmation on Nil Cash, Securities, and Derivatives position in India. In the event of any outstanding holdings/ position, the FPIs need to divest prior to surrender of registration
- Confirmation of no actions/ proceedings pending against the FPI initiated by SEBI or any government authority in India
- Details of all name changes undergone by the FPI since being registered with SEBI including the period of registration as Foreign Institutional Investors (FIIs)/ sub-account

6.7.8. Addition/ Deletion of Share Class

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

Deletion of sub-fund or share class or equivalent structure which invest into India should be intimated forthwith to the DDP.

6.7.9. Exemption from Strict Enforcement of Provisions

SEBI has the power to exempt FPIs from strict enforcement of the provisions of FPI Regulations if satisfied that:

- The non-compliance is caused due to factors beyond the control of the entity
- The requirement is procedural or technical in nature

The application should be accompanied by a non-refundable fee of USD 1,000 + GST @18%

6.8. General Obligations and Responsibilities of FPIs

The FPI shall:

- Comply with the provisions of the FPI Regulations, as far as they may apply, including circulars issued thereunder and any other terms and conditions specified by SEBI from time to time
- Forthwith inform SEBI and the DDP in writing, if any information or particulars previously submitted to SEBI or DDP are found to be false or misleading, in any material respect
- Forthwith inform SEBI and DDP in writing, if there is any material change in the information including any direct or indirect change in its structure or ownership or control
- As and when required by SEBI or any other government agency in India, submit any information, record or documents in relation to its activities as an FPI
- Forthwith inform SEBI and the DDP, in case of any penalty, pending litigations or proceedings, findings of inspections or investigations for which action may have been taken or is in the process of being taken by an overseas regulator against it
- Obtain a PAN from the Income Tax Department (PAN is required to be obtained by all FPIs including non-investing FPIs)
- In relation to its activities as FPI, at all times, subject itself to the extant Indian laws, rules, regulations and circulars issued from time to time and provide an express undertaking to this effect to the DDP
- Provide any additional information or documents including beneficiary ownership details of their clients as may be required by the DDP or SEBI or any other enforcement agency to ensure compliance with the Prevention of Money Laundering Act, 2002 and the rules and regulations specified thereunder, the Financial Action Task Force standards and circulars issued from time to time by SEBI
- Comply with Fit and Proper Person criteria specified in SEBI (Intermediaries) Regulations, 2008
- Undertake necessary KYC on its shareholders/ investors in accordance with the rules applicable to it, in the jurisdiction where it is organised
- Ensure that securities held by FPIs are free from all encumbrances

6.9. Code of Conduct

- An FPI shall, at all times, abide by the code of conduct as specified in Third Schedule of FPI Regulations
- An FPI, and its key personnel, shall observe high standards of integrity, fairness and professionalism in all dealings in the Indian securities market with intermediaries, regulatory and other government authorities
- An FPI shall, at all times, render high standards of service, exercise due diligence and independent professional judgment
- An FPI shall ensure and maintain confidentiality in respect of trades done on its own behalf and/ or on behalf of its clients
- An FPI shall ensure the following:
 - Clear segregation of its own money/ securities and its client's money/ securities
 - Arms-length relationship between its business of fund management/ investment and its other business(es)
- An FPI shall maintain an appropriate level of knowledge and competency and abide by the provisions of the SEBI Act, regulations made thereunder, and the circulars and guidelines, which may be applicable and relevant to the activities carried on by it. Every FPI shall also comply with award of the Ombudsman and decision of the Board under SEBI (Ombudsman) Regulations, 2003
- An FPI shall not make any untrue statement or suppress any material fact in any documents, reports or information to be furnished to the DDP and/ or SEBI
- An FPI shall ensure that good corporate policies and corporate governance are observed by it
- An FPI shall ensure that it does not engage in fraudulent and manipulative transactions in the securities listed in any stock exchange in India
- An FPI or any of its directors or managers shall not, either through its/ his own account or through any associate or family members, relatives or friends indulge in any insider trading
- An FPI shall not be a party to or instrumental for:
 - Creation of false market in securities listed or proposed to be listed in any stock exchange in India
 - Price rigging or manipulation of prices of securities listed or proposed to be listed in any stock exchange in India
 - Passing of price sensitive information to any person or intermediary in the securities market

6.10. Account Structure for Foreign Portfolio Investors

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

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

6.11. Risk Based Disclosure

SEBI introduced enhanced disclosure requirements for objectively identified FPIs to provide additional details of ownership and control as per below:

6.11.1. Criteria for Disclosure:

- (i) FPI is holding more than 50% of their Indian equity Assets Under Management (AUM) in a single Indian corporate group. List of entities and their corporate groups are published by the exchanges
- (ii) FPI holding more than INR 250 billion of equity AUM in the Indian markets whether individually, or along with their investor group (in terms of Regulation 22(3) of the FPI Regulations)

6.11.2. Granular Disclosures

Granular disclosures must include all entities with any ownership interest, economic interest, or control in the FPI on a full look-through basis. The disclosure should be made up to the level of all natural persons/ entities exempted from providing such additional details.

Offshore Derivative Instrument (ODI) subscribers of the FPI are also considered as economic interest holders of the FPI and have to be considered while providing additional disclosures.

The names of all natural persons/ entities having direct ownership, economic interest, and control rights in the FPI, shall be identified by the FPI and provided to its DDP/ Custodian as per prescribed format

6.11.3. Exemptions

The following entities will be exempted from making additional disclosures:

- Government and Government-related investors
- Appropriately-regulated Pension Funds (refer Annexure B of SOP issued by SEBI)
- Public Retail Funds (PRFs) (refer Annexure C of SOP issued by SEBI)
- Pooled investment vehicles and regulated pool structures from various jurisdictions (as specified in Annexure D of SOP issued by SEBI)
 - their holding in an Indian corporate group is under 25% of their overall global AUM at a scheme-level, in case of FPIs under Criteria (i)
 - their equity AUM in the Indian markets is below 50% of their overall global AUM at a scheme-level, in case of FPIs under Criteria (ii)
- Exchange Traded Funds (ETFs) - with less than 50% exposure to India and India-related equity securities
- University funds and university-related endowments registered or eligible to be registered as Category I FPI, provided the below conditions are satisfied:
 - Indian equity assets under management (AUM) less than 25% of the global AUM
 - Global AUM exceeding INR 100 billion equivalent
 - Appropriate return/ filing to the respective tax authorities in the FPI's home jurisdiction to evidence the nature of a non-profit organisation exempt from tax
- FPIs investing only in non-equity or debt securities, provided a declaration to that effect is shared with the DDP and the DDP ensures blocking of any equity purchases

FPIs having more than 50% of its India equity AUM in a single corporate group are exempt from additional disclosure requirements subject to:

- The apex company of such corporate group has no identified promoter
- FPI's holding in the corporate group does not exceed 50% of its India equity AUM, after disregarding its holding in the apex company
- The composite holdings of all such FPIs (that meet the 50% concentration criteria excluding FPIs which are either exempted or have disclosed) in the apex company is less than 3% of the total equity share capital of the apex company

Information on such apex companies, and utilisation of the 3% breach limit is made publicly available, on the NSDL FPI Monitor webpage under 'Monitoring of Utilisation of 3% Breach Limit'.

The SOP is available on Deutsche Bank website in the following link:

<https://country.db.com/india/documents/other-information/SOP-for-disclsoures-under-August-24-Circular-May-2024.pdf>

6.12. FPI Outreach Cell

SEBI has launched a dedicated FPI Outreach Cell for providing guidance to prospective FPIs during the pre-application stage, including assistance with documentation and compliance processes and resolving any operational challenges that may arise during the registration process or thereafter.

Foreign Portfolio investors can reach out to the FPI Outreach Cell for assistance at:

fpioutreach@sebi.gov.in

7

Comparative Table

7.1. Effects of Categorisation

The table below highlights the differences in the categorisation models applicable for FPIs.

Sr. No.	Details	FPI Category-I	FPI Category-II (Other than– Individuals, Family Offices and Corporate Bodies)	FPI Category-II (Individuals, Family Offices and Corporate Bodies)
1	Fees (Registration/ Renewal)	USD 2,950*	USD 295	USD 295
2	KYC	Simplified documentation– less documents, in comparison to Category-II FPIs	Enhanced KYC requirements	Enhanced KYC requirements
3	Qualified Institutional Buyer (QIB) Status	Yes (Participation in QIP and IPO (is under the QIB category))	Yes (Participation in QIP and IPO (is under the QIB category))	No QIB status (Participation in IPO is under the non-institutional category)
4	Margins on Equity Trades	Margins not applicable	Margins not applicable	Upfront margins applicable on T-Day

* Exemption granted to certain entities: International or multilateral agency such as World Bank, and other institutions established outside India for providing aid, which have been granted privileges and immunities from payment of tax and duties by the Government of India.

Sr. No.	Details	FPI Category-I	FPI Category-II (Other than– Individuals, Family Offices and Corporate Bodies)	FPI Category-II (Individuals, Family Offices and Corporate Bodies)
5	Issuance and Subscription of Offshore Derivative Instruments (ODIs)	<p>Permitted</p> <p>FPIs are prohibited from issuing ODIs referencing derivatives</p> <p>Exception: FPIs can issue ODIs through a separate FPI registration and applicable guidelines:</p> <ul style="list-style-type: none"> – Exchange-traded derivative positions for hedging of equity shares held in India on one-to-one basis – An ODI issuing FPI may hedge the ODIs referencing equity shares with derivative positions in Indian stock exchanges subject to position limits of: <ul style="list-style-type: none"> I. 5% of Market Wide Position Limit (MWPL) for single stock derivatives II. Higher of INR 1 billion or 5% of open interest for stock index derivatives <p>For further reference please refer the table below *</p>	Not permitted	Not permitted
6	Position Limits on Currency Derivatives Segment	<p>Gross open position limited to higher of:</p> <ul style="list-style-type: none"> – 15% of the total open interest, or – maximum limit specified for each currency pair 	<p>Gross open position limited to higher of:</p> <ul style="list-style-type: none"> – 15% of the total open interest, or – maximum limit specified for each currency pair 	<p>Gross open position limited to higher of:</p> <ul style="list-style-type: none"> – 6% of the total open interest, or – maximum limit specified for each currency pair

Sr. No.	Details	FPI Category-I	FPI Category-II (Other than- Individuals, Family Offices and Corporate Bodies)	FPI Category-II (Individuals, Family Offices and Corporate Bodies)
7	Equity Derivatives- Index Futures and Options [#]	Position limit – higher of INR 5 billion or 15% of the total open interest in the index futures market in the respective contracts ^{**}	Position limit – higher of INR 3 billion or 10% of the total open interest in the market in the respective contracts	Position limit – higher of INR 1 billion or 5% of the total open interest in the market in the respective contracts
8	Equity Derivatives- Individual Securities (Single Stock)	Position limit – 20% of the applicable MWPL	Position limit – 10% of the applicable MWPL	Position limit – 5% of the applicable MWPL
9	Interest Rate Futures ^{&}	Trading member-level position limit 8-11 years maturity bucket – higher of 10% of open interest or INR 12 billion Across all contracts within other maturity bucket – higher of 10% of the open interest or INR 6 billion	Trading member-level position limit 8-11 years maturity bucket – higher of 10% of open interest or INR 12 billion Across all contracts within other maturity bucket – higher of 10% of the open interest or INR 6 billion	Client-level position limit 8-11 years maturity bucket – higher of 3% of open interest or INR 4 billion Across all contracts within other maturity buckets – higher of 3% of the open interest or INR 2 billion
10	Commodity Derivatives ^{##}	Client-level limits as defined by SEBI from time to time	Client-level limits as defined by SEBI from time to time	A position limit of 20% of the client level position limit in a particular commodity derivatives contract – similar to the position limits prescribed for currency derivatives

These limits shall be separately applicable for equity index futures and equity index options as per the current mechanism for all categories of FPIs.

** Additional limits for index derivatives applicable to Category-I FPIs are as follows:

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

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

FPIs are permitted to participate in:

- Exchange Traded Commodity Derivatives (ETCDs)
- Only cash-settled non-agricultural commodity derivative contracts and indices comprising such non-agricultural commodities

*Table for ODI Related Investment Conditions

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



Know Your Client (KYC) Framework

The regulatory framework governing the Know Your Client (KYC) requirements for foreign investors in India is formulated by the rules, guidelines and principles issued by SEBI and RBI from time to time, which includes (but not limited to) the following:

- Prevention of Money Laundering Act, 2002 (PMLA)
- PML (Maintenance of Records) Rules, 2005 (PML Rules)
- Master Circular for Foreign Portfolio Investors, Designated Depository Participants and Eligible Foreign Investors (FPI Master Circular)
- Master Direction – Know Your Customer (KYC) Direction, 2016 (KYC Master Direction)
- Guidelines on Anti-Money Laundering (AML) Standards and Combating the Financing of Terrorism (CFT)/ Obligations of Securities Market Intermediaries under the PMLA, and rules framed there under

Apart from the KYC requirements outlined in this Chapter, each intermediary may have additional documentation requirements for conducting enhanced due diligence in accordance with respective internal policies. KYC details once updated are also subject to a periodic review process as prescribed by the regulators from time to time.

8.1. KYC for FPI

FPIs are classified into two categories as part of a risk-based approach adopted towards customer identity verification (i.e., KYC). Accordingly, documentation requirements for FPIs vary as per the category of the FPI. The applicant shall be required to fill-in the standard KYC details in the Common Application Form (CAF) and provide the requisite supporting documents as per applicable category.

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

Notes to the Table:

- FPIs to provide an undertaking that upon demand by Regulators/ Law Enforcement Agencies, the exempted/ relevant document(s) would be submitted to the intermediary
- For Category-I FPI coming from high-risk jurisdictions (other than those registered under Regulation 5(a)(i) of the FPI Regulations i.e., Government and Government-related investors such as multilateral organisations, central banks), the KYC documentation requirements are equivalent to that of Category-II FPI
- Category-II FPI registered under Regulation 5(b)(i) of the FPI Regulations i.e., appropriately regulated funds not eligible as Category-I, shall provide KYC documentation required for Category-I FPI. However, the BO details need to be provided in specified format
- Valid Foreign Account Tax Compliance Act (FATCA)/ Common Reporting Standard (CRS) documentation is required to be submitted at the time of account opening
- E-PAN issued by the Central Board of Direct Taxes (CBDT) to be provided. The same would be verified by the intermediary from the Income Tax website
- PAN is not mandatory for UN entities/ multilateral agencies exempt from paying taxes/ filing tax returns in India
- Board Resolution and the Authorised Signatory List (ASL) is also not required if there is no exchange of physically signed documents/ agreements between the local broker and the FPI or its authorised representative being an Investment Manager regulated in FATF member country
- Existing risk-based KYC requirements applicable to FPIs should also be made applicable to securities account of FDI, FVCI/ DR and FCCB accounts/ entities if the same entities are registered as FPIs

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

2 POA granted to Global Custodian/ Local Custodian is accepted in lieu of Board Resolution (BR). BR and the Authorised Signatory List are not required if SWIFT is used as a medium of instruction.

3 UBO is not required for Government and related entities. Government issued ID number of the UBO is required for Category-II.

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

Periodic KYC

Based on the risk categorisation of FPIs, the periodicity of KYC review is as follows:

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

In the event of non-submission of KYC documents on the applicable due date for KYC review, no further purchase transactions will be permitted for such FPIs after expiry of the review due date.

Identification and Verification of Ultimate Beneficial Ownership

- Beneficial Owners (BOs) are the natural persons who ultimately own or control an FPI and should be identified in accordance with Rule 9 of the PML Rules
- BOs of FPIs having General Partner/ Limited Partnership structure shall be identified on ownership or entitlement basis, and control basis
- Category-I FPIs registered under Regulation 5(a)(i) of the FPI Regulations are exempt from providing BO details
- The materiality threshold for identification of BOs of FPIs based on controlling ownership interest (or ownership/ entitlement) is the same as that prescribed under PML Rules:
 - 10% in case of Company and Trust
 - 15% in case of Partnership Firm, and unincorporated Association of Persons
- For FPIs coming from 'high-risk jurisdictions', a lower materiality threshold of 10% for identification of BO may be applied, with KYC documentation as applicable for Category-II FPIs
- The materiality threshold to identify the BO should be first applied at the level of FPI. Thereafter, the look-through principle to be applied to identify the BO of the material shareholder/ owner entity
 - Only BOs with holdings equal and above the materiality thresholds in the FPI need to be identified through the look-through principle
 - For intermediate material shareholder/ owner entity, the name, country and details of holding/ control must also be disclosed
 - No further identification and verification of BO required if intermediate shareholder/ owner entity is eligible for registration as Category-I FPI under Regulation 5(a)(i) of the FPI Regulations
 - If no material shareholder/ owner entity is identified in the FPI using the materiality threshold, BO would be the Senior Managing Official (SMO)
 - In case ownership/ control of the FPI is through a legal arrangement i.e., through legal entities, then the natural person who owns or controls the legal entity at the end of this chain of legal arrangement needs to be identified as the BO of the FPI. In case no natural person is identified as BO on the basis of ownership or control after following the above procedure, the SMO(s) of the legal entity at the end of the chain of the legal arrangement need(s) to be identified as the BO(s) of the FPI
- BO should not be a person mentioned in United Nations Security Council's Sanctions List or from jurisdiction which is identified in the public statement of FATF as:
 - A jurisdiction having a strategic Anti-Money Laundering (AML) or Combating the Financing of Terrorism (CFT) deficiencies to which counter measures apply
 - A jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with the FATF to address the deficiencies
- FPIs are required to maintain the list of BOs as identified by above guidelines, and is to be provided in specified format

8.2. Attestation of Documents

KYC documents can be attested by the following entities: Notary Public, officials of Multinational Foreign Banks or any Bank regulated by RBI (Name, Designation and Seal should be affixed on the copy).

8.3. KYC for FDI and FVCI

Constitutive documentation requirements as per the type of entity:

Corporate	Partnership Firm	Trust
Copies of the Memorandum of Association, and Articles of Association and Certificate of Incorporation	Copy of Partnership Deed and Certificate of Registration (if registered)	Copy of Trust Deed and Certificate of Registration for Registered Trusts

Additional documents required to be submitted by the above entities:

Particulars	Document	Required for Corporate, Partnership Firm, and Trust
Entity Level	Proof of Address	Required
	PAN Card	Required
	Financials	Copy of the balance sheets for the last two financial years (to be submitted every year)
	SEBI Registration Certificate	SEBI registration is required only for FVCI investors
	Board/ Partner/ Member Resolution or any other equivalent document permitting investments in the securities market	Required
	FATCA/ CRS Form	Required
	KYC Form – Form 11	Required
Senior Management (Whole Time Directors/ Partners/ Trustees, etc.)	List (As a part of the KYC Form)	Required
	Proof of Identity	Required
	Proof of Address	Required
	Photographs	Required
Authorised Signatories	List and Signatures	Required
	Proof of Identity	Required
	Proof of Address	Required
	Photographs	Required
Ultimate Beneficial Owner (UBO)/ Shareholding Pattern	List	Required – until the Ultimate Beneficial Owner
	Proof of Identity	Required if UBO with substantial ownership is identified/ SMO
	Proof of Address	Required

Periodic KYC

In the event of non-submission of KYC documents on the applicable due date for KYC review, no further transactions will be permitted to such FDIs/ FVCIs after the expiry of the KYC review due date.

8.4. Mandatory Attributes (for All Categories)

The securities depositories (NSDL and CDSL), in consultation with SEBI, have mandated the following six KYC attributes to open new demat accounts from August 01, 2021, for all categories of clients, including FPIs, FVCI and FDI:

	Institutional Clients/ Investors	Non-Institutional Clients/ Investors
Name		Mandatory
PAN		Mandatory
Address		Mandatory
Valid Phone number	Mandatory (Mobile number OR Office landline number)	Mandatory (Mobile number)
Valid Email ID		Mandatory
Income Range	Optional	Mandatory

8.5. KYC Registration Agency (KRA)

KRAs have been setup to act as a centralised repository of KYC records in the securities market. KYC documents are uploaded onto the KRA portal to make them accessible for other market intermediaries to complete their KYC requirements.

8.5.1. Upload of KYC Information

Custodians or intermediaries like brokers with whom the client has contractual arrangement, have to upload all updated KYC information on the KRA portal on behalf of their clients within 10 days from the date of account opening or receipt of modification.

8.5.2. Consent Mechanism (Applicable Only for FPIs)

To protect the personal information of SMOs, Beneficial Owners, and signatories of FPIs, KRAs have introduced Consent-Based Mechanism (CBM).

- A 'Consent Flag' records whether consent is required for download of KYC information by intermediaries, which may be set to 'Without Consent' to allow download of KYC information without consent. A notification would be sent to the FPI if any intermediary downloads their KYC information
- FPIs are required to provide name and contact details of authorisers (minimum one, maximum three). Where the consent flag is marked as 'With Consent', a notification would be sent to the email ID(s) of the authorisers requesting consent, whenever any intermediary tries to download the KYC information. On receipt of consent, the KRA will provide access to the intermediary to download KYC details and supporting documents
- When KYC details of client are modified, KRA system will send download of the modified/ updated KYC information to all intermediaries who have either uploaded/ downloaded/ modified KYC information of the specified FPI entity
- Whenever the relationship between an FPI and the intermediary is closed, the respective FPI or intermediary will inform KRAs to delink the KYC

8.6. Centralised KYC Records Registry (CKYCRR)

The CKYCRR is the centralised repository of KYC records managed by the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI). CKYC is a 14-digit number linked with the ID proof. Client data is safely stored in electronic format.

- Regulated Entities to upload client specific KYC documents in CKYCRR
- CKYCR requirements are exempted for FPIs. It is applicable for foreign entities opening accounts under FVCI or any other category under FEMA

9

Investment Guidelines and Ownership Limits

9.1. Overview – Investing in India

FPIs are permitted to invest in the following instruments.

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

*Restrictions Apply (Explained in detail in following sections)

9.2. Investment Guidelines – Equity

9.2.1. Overview

- FPI investments in equity shares of a company are governed by various limits, like individual investment limit (including FPI belonging to same investor group) as well as aggregate limits, sectoral caps as defined in the FDI policy and FEMA
- FPI investments are permitted only in listed or 'to-be listed' companies' shares pursuant to

- initial public offer (IPO), follow-on public offer (FPO), rights issue, private placement, or shares received through involuntary corporate actions including a scheme of a merger or demerger
- All transactions in the secondary market for equity shares have to be executed through a registered stockbroker on the floor of the stock exchange

9.2.2. Primary Market Investments in Equity

– Initial Public Offer (IPO) and Follow-on Public Offer (FPO):

Key features of IPO and FPO are:

- Issuance is either through a book-building process or fixed price process
- Open to FPIs and Domestic Investors with specific portion allocated to Qualified Institutional Buyers (QIBs)
- 100% margin payment to be blocked through the ASBA* route
- Minimum price band of at least 105% of the floor price to be applicable
- In the event of non-receipt of minimum subscription (90% of issue), all the application money should be refunded within four days of the issue closure
- FPIs are permitted to participate in the IPO through their custodian/ broker and can apply under:
 - QIB – Category-I and Category-II FPIs (except Individuals, Corporates and Family Offices)
 - Category-II FPI (Individuals, Corporates and Family Offices)
 - Bids once submitted cannot be withdrawn post the issue closing date
 - Upward revision of bids permitted prior to bid closing date. The incremental margin amount must be paid and blocked under ASBA* at the time of revised bid submission
 - Time period for allotment and listing of public issues is six** working days from the issue closure date

**The time period of six working days is being reduced to three working days and implemented in two phases:

- September 1, 2023 - voluntary for all public issues opening on or after this date and
- December 1, 2023 - mandatory for all public issues opening on or after this date

– Anchor Investor: A QIB applying for below value:

- Minimum value of INR 100 million in a public issue on the main board through book-building process
- Minimum value of INR 20 million for IPO by SME (Chapter IX of ICDR Regulations)
- The bidding period is open for one day before the issue opening date
- Lock-in: 50% of the portion allotted to anchor investor would be locked in for 30 days and for the balance 50% of portion allotted, the lock-in would be for 90 days from the listing date

Restriction on Multiple Bids

- An Applicant should submit only one application form. Multiple application forms by a single applicant are not permitted. However, an applicant may make multiple bids in the same application form, provided it is permitted by the issuer as part of the Offer document
- Multiple application forms identified on basis of PAN, are liable for rejection, except for the following categories of investors having
 - Different beneficiary account numbers, i.e., client IDs and DP IDs:
 - Mutual Funds
 - Bids by Anchor Investors under the Anchor Investor Portion and the QIB Category – FPIs meeting the below criteria:
 - FPIs under the Multi-Investment Manager (MIM) structure
 - Offshore Derivative Instruments (ODI's) which have obtained separate FPI registrations for ODI and proprietary derivative investments
 - Sub-funds or separate class of investors with segregated portfolio who obtain separate FPI registration
 - FPI registrations granted at investment strategy level/ sub-fund level where a Collective Investment Scheme (CIS) or fund has multiple investment strategies/ sub-funds with

identifiable differences and managed by a single investment manager or having multiple share classes

- Multiple branches of foreign banks from different jurisdictions registered as FPIs
- Government and Government related investors registered as Cat-I FPIs

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

* **Application Supported by Blocked Amount (ASBA)** means an application for subscribing to a public issue or rights issue, along with an authorisation to self-certified syndicate bank to block the application money in a bank account.

Preferential Issue/ Private Placement: Shares issued to specific category of institutional investors like mutual funds, insurance companies, FPIs, etc.

- **Qualified Institutions Placement (QIP):** Mode for listed companies to raise funds from QIBs. All FPIs except Individuals, Corporates and Family Offices can participate through this route
- **Rights Issue:** The rights issue is open for a minimum of seven days to a maximum of 30 days. The investor can choose to accept the offer or let the offer lapse. All rights entitlements to be credited to the demat account of the holder, including those holding shares in physical form prior to the rights issue opening date. Trading in rights entitlements on the stock exchange platform closes three working days prior to the closure of the Rights Issue
- **Offer for Sale (OFS):** A separate window provided by Exchange for facilitating sale of shares held by the promoters/ promoter group entities of companies or other shareholders having significant shareholding. OFS is open for all investors including FPIs

9.2.3. Secondary Market Investments in Equity

For the investors, the secondary market provides an efficient platform for trading in securities either through the Exchange platform or Over-the-Counter (OTC).

FPIs are permitted to buy/ sell listed equities only on recognised Stock Exchange platforms, through a SEBI-registered broker and settled through the Clearing Corporations.

9.2.4. Investment Limits in Equity and Monitoring of Limits

9.2.4.1. Foreign Ownership Limit

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

Individual Limit for FPIs (including same investor group)	Aggregate Limit for all FPIs
<ul style="list-style-type: none"> – The investment holding should always be below 10% of the total paid-up equity capital on a fully diluted basis of the company – The 10% limit is applicable across investments in the same listed company through <ul style="list-style-type: none"> – ADR/ GDR (post-conversion to underlying equity shares) – FVCI – Participatory Notes/ Offshore Derivative Instruments 	<p>The maximum permissible investment in the shares of a listed company, jointly by all FPIs together, is the sectoral cap:</p> <ul style="list-style-type: none"> – Unless a lower limit of 24%, 49% or 74% has been set by the company. The limit may be raised to 49% or 74% or the sectoral cap, but once the aggregate limit has been increased to a higher threshold, the Indian company cannot reduce the same to a lower threshold – For sectors in which FDI is prohibited, aggregate FPI investment up to 24% is permitted

Few key sector-specific limits:

- Private Sector Banks: Any acquisition beyond 5% by any investor, foreign or domestic, would require prior approval from RBI
- Credit Information Companies: Any acquisition beyond 1% by FPIs needs to be reported to RBI
- Stock Exchange, Clearing Corporations, and Depositories: FPIs can acquire/ hold up to 5% of the paid-up equity share capital in a recognised stock exchange or clearing corporation or depositories

9.2.4.2. Clubbing of Investment Limits of FPIs Belonging to the Same Investor Group

FPIs having common ownership of more than 50% in the FPI or having common control are considered as belonging to the same FPI Investor Group.

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

I. Exceptions to Clubbing on Basis of Common Control

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

II. Foreign Governments and Their Related Entities

- Investment by Foreign Government agencies/ their related entities forming part of the same investor group will be clubbed with the investment by the respective foreign Government/ its related entities for the purpose of calculation of the 10% limit for FPI investments in a single company
- Exemptions from clubbing for Foreign Government/ its related entities:
 - Investment by Foreign Government/ its related entities from provinces/ states of countries with federal structure, if the said foreign entities have different ownership and control
 - Where the Government of India has agreements or treaties with other sovereign governments specifically recognising certain entities to be distinct and separate, or the Government of India by an order recognises them as separate entities
 - Investment by World Bank group entities like IBRD, IDA, MIGA and IFC

9.2.4.3. Limit Monitoring Mechanism of Listed Companies

I. Tracking of Limit for FPIs Belonging to the Same Investor Group: Primary Market

In case the FPI is investing through primary market, the Registrar and Transfer Agent (RTA) would have to validate the details related to the investor group, with Depositories. This is done prior to allotment of shares to ensure that a single FPI or FPIs as part of investor group, does

not breach the investment limit of 10%.

II. Tracking of FPIs Belonging to the Same Investor Group: Secondary Market

- The depositories monitor the individual investment limit related to the FPIs belonging to the same investor group and held with different custodians. This is based on end-of-day demat holdings data. The data is reported by the custodians to depositories as below:
 - Details of the investor group at the time of registration or at any time of receipt of such details from the FPIs/ due diligence by custodians
 - Transactions undertaken by FPIs, reported on T+1 (T being the trade date)
 - The depositories then track the investment limits of FPIs belonging to same investor group to ensure it remains below 10% of the paid-up capital of the listed company on a fully diluted basis, at any time

III. Tracking of Aggregate Investment Limit/ Sectoral Cap by FPIs

- The Depositories monitor the foreign ownership limits for FPIs at aggregate level as well as the sectoral cap for secondary market investments
- Foreign investment limits are monitored based on the paid-up equity capital of the company, on fully-diluted basis
- A red flag is activated whenever the foreign investment is within 3% or less than 3% of the aggregate FPI limits or sectoral cap
- The depositories and stock exchanges would display on their website, the available investment headroom, in terms of available shares, for all companies for which the red flag has been activated
- The data on the available investment headroom shall be updated on a daily end-of-day basis as long as the red flag is activated
- This data is published on the website of the Depositories as well as Stock Exchanges

IV. Breach of Limits:

i. Aggregate Limit

- Depositories shall inform the exchanges, which in turn would issue public notification on their website and halt further purchases by foreign investors including FPIs, if the sectoral cap is breached
- The foreign investors are required to divest their excess holding within five trading days from the date of settlement of the trades, by selling shares only to domestic investors
- Method of Disinvestment – Proportionate disinvestment of foreign investment to bring the shareholding within permissible limits (refer to an indicative calculation below#)
 - Depending on the limit breached, disinvestment is uniformly spread across all foreign investors including FPIs, who are net buyers in that particular security on the date of breach
 - The investors thus identified are informed of the excess quantity that they are required to disinvest. In the case of FPIs which have been identified for disinvestment of excess holding, the depositories would issue the necessary instructions to the custodians of these FPIs for disinvestment of the excess holding
 - The breach is detected at the end of T+1 day (based on custodial confirmation data) and the announcement of breach is made at the end of T+1 day; hence the foreign investors who have purchased the shares during the trading hours on the T+1 day would need to divest such shares within five trading days from the date of settlement of such trades
 - FPIs which have been advised to disinvest, need to do so in the given time frame irrespective of fresh availability of an investment headroom during the disinvestment time period or foreign shareholding going below the permissible limit, due to sale by other FPIs
 - There would be no annulment of the trades which have been executed on the trading platform of the stock exchanges and which are in breach of the sectoral or aggregate FPI limits
 - Failure to disinvest within the disinvestment period would attract regulatory action from SEBI

#Calculation of Shares to be Divested in Case of Breach

Particular	No. of Shares
Available headroom limit	600 shares
Purchases by Foreign Investors* including FPIs executed on the day of breach	1,000
Excess shares, to be divested in five trading days	400 (40% of the purchases executed on the day of breach)

*FPIs, in case the breach is of the limit available to FPIs; NRIs, in case the breach is of the limit available for NRIs; and both, where the combined or sectoral limit is breached.

Time Of Purchase	Investor	Shares Purchased	Cumulative Purchase	Shares to be Divested	Shares to be Retained
10:00 hrs	A	100	100	40	60
11:00 hrs	B	150	250	60	90
12:00 hrs	C	250	500	100	150
13:00 hrs	D	180	680	72	108
14:00 hrs	E	80	760	32	48
14:30 hrs	F	240	1,000	96	144
Total		1,000		400	600

ii. **Individual Limit (including Investor Group for which clubbing is applicable)** In case of breach of limit, the FPI shall have the option of:

- Divesting holdings within five trading days from the date of settlement of the trades causing the breach
- Alternatively, in case the FPI chooses not to divest, the entire investment in the specific listed company, of that FPI (and its investor group) shall be considered as investment under FDI. The FPI or its investor group would not be permitted to buy this specified security under the FPI route
- The FPI, through its custodian, shall bring the same to the notice of the depositories and the concerned company for effecting necessary changes in their records the breach of the said aggregate or sectoral limit on account of such acquisition for the period between the acquisition and sale or conversion to FDI within the prescribed time, shall not be reckoned as a contravention under these Rules

9.2.5. Other Investment Guidelines and Regulatory Reporting Requirements

I. Substantial Acquisition of Shares or Voting Rights and Open Offer

- The initial trigger limit for acquirers to make an open offer of shares under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (SAST Regulations) is 25% of the total shares or voting capital in a company
- An acquirer, holding 25% or more of the shares or voting rights in a company, can make acquisitions of up to 5% per financial year, without triggering the requirement of making an open offer (Incremental Trigger), provided the acquisition does not result in the acquirer breaching any maximum permissible non-public shareholding limit
- 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 the SAST Regulations
- The open offer for acquiring shares to be made by the acquirer shall be for at least 26% of the total shares of the target company, as of the 10th working day from the closure of the tendering period; tendering period is the period within which other shareholder can tender shares in acceptance of an open offer

II. Reporting under SEBI (SAST) Regulations, 2011

- Any acquirer, together with persons acting in concert with him, acquiring shares or voting rights in a target company, which taken together aggregates to 5% or more of the shares of such target company, shall disclose their aggregate shareholding and voting rights in such target company
- Any person, together with persons acting in concert with him, holds shares or voting rights entitling them to 5% or more of the shares or voting rights in a target company, shall disclose the number of shares or voting rights held and change in shareholding or voting rights, even if such change results in shareholding falling below 5%, if there has been change in such holdings from the last disclosure made; and such change exceeds 2% of total shareholding or voting rights in the target company
- The above reporting needs to be done within two working days of the receipt of intimation of allotment of shares, or the acquisition or disposal of shares or voting rights in the target company to:
 - Every stock exchange where the shares of the target company are listed, 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

Summary Table

Particular	Reporting/ Disclosure
Initial Trigger	Acquiring 5% or more
Incremental Trigger	Change of more than 2% (even if that change takes holding below 5%) from the last disclosure

III. SEBI (Prohibition of Insider Trading), Regulations, 2015

- Unpublished Price Sensitive Information (UPSI): Information not generally available to the public and which may impact the price of the security
- Insider: Anyone in possession of or having access to UPSI to be considered an “insider”, including persons connected on the basis of being in any contractual, fiduciary, or employment relationship that allows such person access to UPSI; a person who is in possession or has access to UPSI; immediate relatives would be presumed to be connected persons, with a right to rebut the presumption
- Considering every investor’s interest in securities market, advance disclosure of UPSI at least two days prior to trading has been made mandatory in case of permitted communication of UPSI
- Clear prohibition on communication of UPSI has been provided except for legitimate purposes, performance of duties, or discharge of legal obligations
- Mandatory disclosure of UPSI in public domain before trading, so as to rule out asymmetry of information in the market, as prevalent in other jurisdictions
- Principle-based Code of Fair Disclosure and Code of Conduct has been prescribed
- In given cases, certain circumstances which can be demonstrated by an insider to prove his innocence have been provided

9.3. Investment Guidelines – Fixed Income

9.3.1. Investment Routes and Restrictions

FPIs are permitted to invest in Fixed Income (G-Secs, SDLs, Corporate Debt) under FEMA Debt Instrument Regulations, 2019 and SEBI FPI regulations, 2019, and any notifications issued thereunder. Key features of these are as below:

- FEMA Debt Rules provide three routes for investment, offering investment flexibility to FPIs investing in Indian debt market, aligning FPI investment needs, with that of Indian debt market
 - General Investment Limit – Medium-Term Framework (GIL-MTF): Limits and residual maturity conditions apply with no lock-in on repatriation of funds

- Voluntary Retention Route (VRR): Wide range of instruments permitted with limited restrictions, subject to lock-in of funds from repatriation, for three years or higher period (as committed by the FPI)
- Fully Accessible Route (FAR): Investments permitted without any restrictions or limits, in specified G-Secs
- The investment in fixed income is governed by specified investments limits

The table below gives a broad comparative summary of the three routes. Key details of some important aspects are also clarified under the topics following this table, to provide a better understanding.

Subject	General Investment Limit – Medium Term Framework (GIL-MTF)	VRR	FAR
Quantitative Limit on Total Investments	<p>Yes.</p> <p>Current Limits: (April 2024 - September 2024)</p> <p>G-Sec INR 2,684.37 billion (General) INR 1,374.37 billion (Long-term) SGSs INR 1052.90 billion (General) INR 71 billion (Long-term) Corporate Bonds INR 7156.87 billion</p> <p>Current Limits: (Oct 2024 – Mar 2025)</p> <p>G-Sec INR 2,689.84 billion (General) INR 1,378.84 billion (Long-term) SDL INR 1177.52 billion (General) INR 71 billion (Long-term) Corporate Bond INR 7635.03 billion</p>	<p>Aggregate limit - INR 2,500 billion, with effect from April 1, 2024</p> <p>Allocation would be made on-tap or through auctions</p> <p>The current limit is available on-tap, allocated on 'first come, first served' basis till the limit is fully allotted</p> <p>Limits balance can be checked on the CCIL website at VRR Headroom</p> <p>Individual FPI limit - to the extent the limit is obtained – Committed Portfolio Size (CPS)</p>	<p>No quantitative limit applicable. The specified securities will be fully accessible to eligible foreign investors</p> <p>List of securities notified on CCIL website: https://www.ccilindia.com/FPIHome.aspx</p>
Lock-in on Investments	No lock-in provisions on investments. Funds are fully repatriable	No lock-in on securities. However, 75% of the CPS is non-repatriable for a minimum retention period of three years, or higher retention period as per the limit bid by FPI	No lock-in provision, funds are fully repatriable

Subject	General Investment Limit – Medium Term Framework (GIL-MTF)	VRR	FAR
Eligible Investors	FPIs	FPIs	Eligible non-resident investors: <ul style="list-style-type: none"> – FPIs – NRI – OCIs – Other entities permitted to invest in G-Secs under Debt Regulations – Other non-resident entities investing through ICSDs*
Investments in G-Secs and T-Bills	All G-Secs are permitted, provided investments in T-Bills and other G-Secs with short-term maturity (<1-year residual maturity) does not exceed 30% of the portfolio under G-Secs category	All G-Secs are permitted	Only specified G-Secs as below: <ul style="list-style-type: none"> – Securities issued after April 1, 2020, with tenor of: <ul style="list-style-type: none"> – 5 years – 10 years – 30 years – Securities issued after July 7, 2022, with tenor of: <ul style="list-style-type: none"> – 7 years – 14 years – All Sovereign Green Bonds issued by the Indian Government from FY 2022 <p>The list of securities can be accessed below: https://www.ccilindia.com/FPIHome.aspx</p> <p>However, NRI's are excluded from investing in all new securities with 14-year and 30-year tenors under FAR</p>
Investments in SDLs	Yes, with 30% limit restriction on less than one-year residual maturity applicable	Yes	No
Investments in Corporate Debt	Yes, with residual maturity above one year	Yes	No
Investments in Commercial Papers	No	Yes	No

*International Central Securities Depositories - operational guidelines to be notified

Subject	General Investment Limit – Medium Term Framework (GIL-MTF)	VRR	FAR
Investments in Mutual Fund units	Yes	No	No
Investment in Debt Securities of InvITs/ REITs	Yes	Yes	Not applicable
Security-wise limit in G-Secs and T-Bills	30% of outstanding stock of the security	30% of outstanding stock of the security	No such limit
Residual Maturity Conditions	Restrictions applicable. Details covered under 9.4.1.1	No restriction on maturity period	No restriction on maturity period
Concentration Limits	<ul style="list-style-type: none"> – General FPIs – 10% of the overall limit in that category – Long-term FPIs – 15% of the overall limit in that category 	Not applicable	Not applicable
Single-investor wise Group Exposure Limit for Corporate Bonds	Permitted to invest only up to 50% in a single ISIN (investment prior to April 27, 2018, grandfathered)	No such restriction on exposure. However, if the entity has invested 50% in the ISIN through GIL-MTF, then they cannot invest balance 50% through VRR	Not applicable, as the route is for investments in specified G-Secs only
End-use Restriction for Investments in Unlisted Bonds	End-use restriction on investment in real estate business, capital market and purchase of land	End-use restriction on investment in real estate business, capital market and purchase of land	Not applicable, as the route is for investments in specified G-Secs only
Mandatory Use of Route	<p>No.</p> <ul style="list-style-type: none"> – Either GIL-MTF or VRR may be used subject to availability of headroom under the route – This route cannot be used to invest in FAR specified securities 	<p>No.</p> <ul style="list-style-type: none"> – Either GIL-MTF or VRR may be used subject to availability of headroom under the route – This route cannot be used to invest in FAR specified securities 	Mandatory for eligible investors investing in specified Government securities to use FAR
Segregated Accounts	Existing SNRR Cash account and Securities account can be used for investments under this route	Segregated SNRR Cash account and Securities account required for investments under this route	No separate accounts required. Existing SNRR cash account and securities as used for investments under GIL-MTF can be used for investments under FAR

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

Notes:

- FPIs are not permitted to invest in partly-paid instruments
- Aggregate Limits for the FPIs in each category:
 - G-Secs: The limit for FPI investment in G-Secs is 6% of the outstanding securities
 - SDLs: The limit for FPI investment in SDLs is 2% of the outstanding securities
 - Corporate Debt: The limit for FPI investment in corporate debt is 15% of the outstanding securities

9.3.1.1. Additional Points to Be Noted on GIL-MTF Route

I. Residual Maturity under GIL-MTF

G-Sec and T-Bills	Corporate Debt
<p>FPIs are permitted to invest in Central Government Securities (G-Secs), including in Treasury Bills (T-Bills), and State Development Loans (SDLs) without any minimum residual maturity requirement, subject to the below condition on short-term investments:</p> <ul style="list-style-type: none"> FPIs holding in G-Secs, T-Bills, and SDLs, in short-term maturity investments should not exceed 30% of the FPI's total investment in that specified category (G-Sec or SDL) The 30% limit will be reckoned on end-of-day basis If short-term investments consists entirely of investments made on or before April 27, 2018, the short-term investments can exceed 30% limit <p>Temporary relaxation provided by RBI as under:</p> <ul style="list-style-type: none"> Investments made between July 8, 2022 and October 31, 2022 are exempt from the above limit on short-term investments, till the maturity or sale of such investments 	<p>The overall limit for FPI investment in corporate bonds is fixed at 15% of outstanding stock of corporate bonds. FPIs are permitted to invest in Corporate Bonds with a residual maturity of above one year. FPI holding short-term investments in Corporate Bonds is governed as follows:</p> <ul style="list-style-type: none"> FPIs should ensure that holding in Corporate Bonds, in short-term maturity investments, does not exceed 30% of the FPIs total investment in Corporate Debt The 30% limit will be reckoned on end-of-day basis At the end of any day, all investments with residual maturity of up to one year will be reckoned for the 30% limit This 30% limit is not applicable to exempted securities <p>Temporary relaxation provided by RBI as under:</p> <ul style="list-style-type: none"> Investments made between July 8, 2022 and October 31, 2022 are exempt from the above limit on short-term investments, till the maturity or sale of such investments FPIs were permitted to invest in CPs and NCDs with an original maturity of up to one year, during the period between July 8, 2022 and October 31, 2022

Note:

- Short-term maturity investment means investments with residual maturity of less than one year
- Following securities are exempted from the requirement of residual maturity, and termed as 'Exempted Securities':
 - Security Receipts (SRs)
 - Debt instruments issued by Asset Reconstruction Companies
 - Debt instruments issued by an entity under the Corporate Insolvency Resolution Process as per the resolution plan approved by the National Company Law Tribunal under the Insolvency and Bankruptcy Code, 2016
 - Non-Convertible Debentures/ Corporate Bonds which are under default, either fully or partly, in the repayment of principal on maturity or principal instalment in case of amortising bonds

II. Limit Monitoring Mechanism of Limits under GIL-MTF

- The monitoring of limit utilisation and security-wise limits in G-Secs and SDLs will be done by CCIL on a real-time basis, on the Negotiated Dealing System - Order Matching (NDS-OM) and will be applicable to all the trades where either of the party to the trade happens to be an FPI. The monitoring of limits can be accessed at: <https://www.ccilindia.com/FPIHome.aspx>
- The primary responsibility of complying with monitoring the corporate debt investment limits is with the FPIs on whose behalf depositories will also monitor the investment limits <https://www.fpi.nsdl.co.in/web/Reports/ReportDetail.aspx?RepID=1> <https://www.cdslindia.com/publications/FIIs.aspx>
- FPI investment limits (overall basis) and at investor group levels are tracked by the NSDL and CDSL based on the trades reported by the custodian at an end-of-day basis

III. Security-wise Limit Monitoring under GIL-MTF for G-Secs

- The aggregate limit in each G-Sec is 30% of the outstanding stock of that security
- The security in which aggregate FPI investment has reached 30% of the amount outstanding would be placed in negative list and no additional purchases of the security are permitted until the total foreign ownership in that security falls below 30%
- Since these limits are monitored on a real-time basis on NDS-OM, for securities which are very close to the 30% limit, it is possible these securities were not in the negative list at the beginning of the day and may enter the negative list during the day due to the purchase transaction reported by other FPIs on NDS-OM
- These limits are reported on the CCIL website, under the sub-heading 'Security-wise Holding' and 'Negative Investment List' under the tab – "FPI Debt (G-Sec)/ VRR Utilisation Status" <https://www.ccilindia.com/FPIHome.aspx>

IV. Limit Utilisation Conditions for G-Secs

- i. Re-investment of limits in G-Secs
 - FPIs are permitted to re-invest in additional G-Sec or SDL to the extent of the limit released, as a result of sale/ maturity of their existing investment and also on the coupon earned on the investment
 - All the other existing conditions for investments by FPIs in G-Secs will remain unchanged for this additional facility as well
- ii. Sale/ Maturity of the existing investment:
Any proceeds arising out of sale/ redemption of G-Secs acquired from coupon receipts shall be eligible for a re-investment period of two working days.
- iii. Coupon Re-investment:
Coupon reinvestment by FPIs in G-secs and SGSs which was hitherto outside the investment limit, will now be reckoned with in the G-sec/ SGSs limits. FPIs may continue to reinvest coupons without any constraint. However, at the time of periodic re-setting of limits, coupon investments would be added to the amount of utilisation.

V. Conditions for Specific Type of Securities under Corporate Debt

i. Corporate Bonds under default

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

- FPIs can acquire Non-Convertible Debentures (NCDs)/ Bonds which are under default, either fully or partly, in the repayment of principal on maturity or principal instalment, in the case of an amortising bond (FPIs shall be guided by RBI's definition of an amortising bond in this regard)
- The FPIs who propose to acquire such NCDs/ Bonds should disclose to the Debenture Trustees, the terms of their offer to the existing debenture holders/ beneficial owners from whom they are acquiring
- Such investment will be within the overall limit prescribed for Corporate Debt from time to time
- Exempted from the short-term investment limit, minimum residual maturity requirement and Single/ Group investor-wise limit in Corporate Bonds

ii. Unlisted/ To-be listed Non-Convertible Debentures/ Bonds

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

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

FPIs are eligible to invest in corporate debt issues which are “to-be listed” without any end-use restriction as applicable to unlisted debt securities. However, if the listing does not happen within 15 days or the issue is not meeting the end-use restriction, FPI shall immediately dispose such investment to either domestic investors or the issuer.

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

iii. Securitised Debt Instruments

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

Any certificate or instrument issued and listed in terms of the SEBI (Public Offer and Listing of Securitised Debt Instruments) Regulations, 2008.

iv. Auction Mechanism for Corporate Debt Limit

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

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

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

- The Depositories direct the custodians to halt all FPI purchases in Corporate Debt securities
- Depositories inform the Stock Exchanges regarding the unutilised debt limits for conduct of auction. The exchanges (starting with BSE) will then conduct an auction for the unutilised debt limits on the second trading day from the date of receipt of intimation from the depositories. Thereafter, the auction will be conducted alternately on NSE and BSE

Topic	Corporate Debt
Duration of Bidding	The bidding shall be conducted for two hours, from 15.30 hours to 17.30 hours
Access to Platform	Trading Members
Minimum Bid	INR 10 million
Maximum Bid	One-tenth of the free limit being auctioned
Tick Size	INR 10 million
Allocation Methodology	Price time priority
Pricing of Bid	Minimum flat fee of INR 1,000, or bid price whichever is higher
Maximum Limit	A single FPI/ FPI group cannot bid for more than 10% of the limits being auctioned
Minimum Free Limit Availability for Auction	Free limit is greater than or equal to INR 1 billion. However, if the free limit remains below INR 1 billion for 15 consecutive trading days, auction will be conducted on 16th trading day
Utilisation Period	Time period for investing in debt securities using the allotted limits will be 10 trading days. Limits not utilised within 10 trading days would come back to the pool of free limits
Re-investment Period in Case of Sale/ Redemption	Upon sale or redemption of debt, the FPI will have a re-investment period of two trading days. If reinvestment is not made within two trading days, then the limits will be clubbed in the pool of free limits
Subsequent Auctions	Subsequent auctions would be held 12 trading days from the date of the last auction, subject to the condition that the free limit is greater than or equal to INR 1 billion

9.3.1.2. Additional Points on VRR

Introduced to encourage long-term investment by FPIs in the Indian debt market, VRR provides greater operational flexibility by easing the restrictions as applicable in GIL-MTF.

I. Key Features of the VRR:

- The investment limits allocated will be called the Committed Portfolio Size (CPS)
- Each FPI (including related FPIs) will be allotted a maximum of 50% of the amount offered for each tranche, if the total demand for limits exceeds the limits offered in that tranche (the CCIL system limits maximum bid size to 50% of offer size and the FPIs have to place multiple bids if applying for bids in excess of 50%; however, allotment in excess of 50% of the limit offered would be possible only if the aggregate bids by all FPIs is less than limits offered)
- Allocation of investment amount to FPIs under VRR would be made on-tap or through auctions. The methodology would be notified as and when the limits are released
- The allocation for on-tap methodology will be on 'first come, first served' basis
- Minimum retention period of the CPS will be three years or as prescribed by RBI from time to time
- The amount invested will be reckoned on face value basis

II. Auction Process

- FPIs shall bid for two variables either as a single bid or multiple bids:
 - The amount it proposes to invest
 - Retention period of such investment (should be more than the minimum retention period applicable for the auction)
- Allocation of investment amount:
 - Criteria for allocation will be the retention period
 - Bids will be accepted in the descending order of the retention period with the highest first, until the amounts accepted equals the auction amount
 - In case the amount bid at the lowest accepted retention period (marginal bid), is more than the amount available for allotment then, allocation for lowest bid would be partial such that the total accepted amount equals the auction amount
- In case of more than one marginal bids at the retention period, allocation would be in descending order of size of the amount
- In case of more than one marginal bids with the same amount then the allocation will be done equally

III. Eligible Instruments/ Securities Available for Investment Through VRR

All the instruments as mentioned in the Fixed Income table are Eligible Instruments for investment through VRR; except a) dated Government securities/ Treasury Bills; b) Units of domestic Mutual Funds or Exchange-Traded Funds (ETFs) which invest less than or equal to 50% in equity. FPIs are not permitted to invest in CDs and can invest in CPs only through VRR.

IV. Investment Conditions:

- The retention period will commence from the date of allotment of the investment limit CPS
 - At least 75% of the allotted limit should be invested in securities within three months from the date of allotment
 - The required investment amount of 75% of CPS will be adhered to on an end-of-day basis
 - The INR in the cash account of the FPI used for VRR, is included for calculating the retention period of 75%
 - FPIs may, at their discretion, transfer their investments made under the General Investment Limit, if any, to the VRR scheme
- Single/ group investor-wise limits applicable for investments in Corporate Bonds under General Investment Limit will not apply under VRR; however, if an FPI has invested 50% in an ISIN under GIL-MTF, then further purchase in the same ISIN through VRR is not permissible
- Income from investments (interest + gains) through VRR, can be re-invested, and this can be in excess of the CPS; however, the monitoring of investments will always be at the CPS, and re-investments from income can be considered for the adherence of the 75% end-of-day limit
- Repo and Reverse Repo transactions: The amount borrowed, or lent is restricted to 10% of the CPS under the VRR
- Hedging – FPIs investing in VRR are permitted to use any currency or interest rate derivative instrument, OTC or exchange traded, to manage their interest rate risk or currency risk

V. Other Operational Aspects

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

9.3.2. Primary Issuances

I. G-Secs and SDLs

- G-Secs are issued by the RBI through Primary Market Auctions, and can be subscribed by FPIs, apart from domestic investors
- Investors need to provide their instructions to the custodian or the primary dealer, to submit bid in the bidding platform (E-Kuber system of RBI) latest by noon on the auction date
- The auction results are announced on the same day between 13.30 hours to 14.30 hours IST, for settlement on T+1 basis

II. Corporate Bonds – Private Placement through Electronic Book Mechanism

SEBI has introduced Electronic Bidding Platform (EBP) for issuances of Corporate Bonds through the Private Placement route

Eligible Securities	<p>Mandatory All Private Placement of Debt Securities and Non-Convertible Redeemable Preference Shares (NCRPS) by a body corporate, except instruments issued by the Government, Security Receipts and Securitised Debt instruments, shall be required to be made through EBP if it is:</p> <ul style="list-style-type: none"> – A single issue, inclusive of the greenshoe option is of INR 500 million or more – A shelf issue of multiple tranches, which cumulatively amounts to INR 500 million or more, in a financial year – A subsequent issue, where aggregate of all previous issues by an issuer in a financial year equal or exceeds INR 500 million 	<p>Optional An issuer, irrespective of issue size, may choose to access EBP for Private Placement of:</p> <ul style="list-style-type: none"> – Debt securities issued by Municipality – Commercial Papers – Certificate of Deposits
Platform Providers	<ul style="list-style-type: none"> – Stock Exchanges – Depositories 	
Framework	<ul style="list-style-type: none"> – Issuer to disclose Private Placement Memorandum (PPM)/ Information Memorandum (IM) and term sheet with details of size, bid open and close date/ time, minimum lot, manner of bidding, allotment and settlement, settlement cycle – Participants are required to enrol with EBP before entering bids, by completing the necessary KYC requirements – Bidding shall be allowed in the bidding time window specified by the issuer; at the end of the bidding time window, EBP shall, on an anonymous basis, disclose the aggregate volume data, including yield, amount including the amount of oversubscription, total bids received, rating(s), category of investor, etc. to avoid any speculations – EBP shall upload the allotment data on its website to be made available to the public 	

9.3.3. Secondary Market

	Government Securities	Corporate Debt
Transactions	<ul style="list-style-type: none"> – OTC – NDS-OM web based module 	<ul style="list-style-type: none"> – OTC – Stock Exchanges
Reporting	OTC deals to be reported on NDS-OM	OTC deals to be reported on reporting platform of Exchanges
Settlement	Through CCIL	Through clearing corporations of Exchanges

9.3.3.1. Request for Quote Platform (RFQ)

- RFQ is an electronic trading mechanism provided by the exchange for execution of trades in eligible Debt Segment
- Effective October 1, 2023, FPIs need to undertake at least 10% of their total secondary market trades in Corporate Bonds by value on the RFQ platform, on a quarterly basis
- The mechanism provides a flexibility to initiate a quote using ‘Yield’, ‘Price’, or ‘Both’
- Both Bid (Buy)/ Offer (Sell) executable quotes can be entered by initiating dealer key features of the mechanism:
 - Bid initiator has the option to either remain anonymous or disclose their identity
 - Initiator can delete the quote any time before a trade is executed
 - The quote can be placed to an identified counterparty (i.e., ‘One-to-One’ (OTO) mode) or to all the participants (i.e., ‘One-to-Many’ (OTM) mode)
 - Initiator also has the option to show quote to market or send them privately to select participants
 - Responding dealer can respond by accepting the deal or negotiate with initiator by providing an alternative quote
 - All quotes entered will auto-expire at the end of the trading session for the day
- Quotes will be bilaterally negotiated between participants based on specified RFQ parameters
- Acceptance of quote by the participant will be considered as mutual agreement for given deal

Working Hours: RFQ will be operational from Monday to Friday as per below timings:

Security type	Market Hours
For T+0 Settlement (All eligible securities except G-Sec, SDL, and T-Bills)	09:00 to 16:00 hours
For T+1 Settlement (All eligible securities)	09:00 to 17:00 hours

9.4. Investment Guidelines – Derivatives and Hybrid Securities

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

Investment Position Limits

Instrument Type	All Category-I (including long-term)	Category-II FPIs that are Individuals, Corporates and Family Offices	Category-II FPIs (other than Individuals, Corporates and Family Offices)
Stock Derivatives Position Limits	20% of Market Wide Position Limits (MWPL)	5% of MWPL	10% of MWPL
Index Derivatives Position Limits	Higher of: <ul style="list-style-type: none"> – INR 5 billion, or – 15% of total open interest of the market in index futures (per exchange) 	Higher of: <ul style="list-style-type: none"> – INR 1 billion, or – 5% of total open interest of the market in index futures 	Higher of: <ul style="list-style-type: none"> – INR 3 billion, or – 10% of total open interest of the market in index futures

Instrument Type	All Category-I (including long-term)	Category-II FPIs that are Individuals, Corporates and Family Offices	Category-II FPIs (other than Individuals, Corporates and Family Offices)
Additional Limits for Index Derivatives	<ul style="list-style-type: none"> Short positions in index derivatives (short futures, short calls, and long puts) not exceeding (in notional value) the FPI Category-I holding of stocks Long positions in index derivatives (long futures, long calls, and short puts) not exceeding (in notional value) the FPI's holding of cash, G-Secs, T-Bills, and similar instruments 		
Commodity Derivatives	Client-level – at par with those currently applicable for Mutual Fund schemes	A position limit of 20% of the client-level position limit in a particular commodity derivatives contract similar to the position limits prescribed for currency derivatives	Client-level – at par with those currently applicable for Mutual Fund schemes
Interest Rate Futures (IRFs) (Overall Limit of INR 50 billion)			
8-11 Years Maturity Bucket	10% of open interest or INR 12 billion, whichever is higher	3% of open interest or INR 4 billion, whichever is higher	10% of open interest or INR 12 billion, whichever is higher
Across All Contracts within Other Maturity Buckets	10% of open interest or INR 6 billion, whichever is higher	3% of open interest or INR 2 billion, whichever is higher	10% of open interest or INR 6 billion, whichever is higher
	<p>A separate limit of INR 50 billion to FPIs for taking long position in Interest Rate Derivatives. This limit will be calculated as follows:</p> <ul style="list-style-type: none"> For each IRF instrument, the position of FPIs with a net long position will be aggregated. FPIs with a net short position in the instrument will not be reckoned No FPI can acquire net long position in excess of INR 18 billion at any point of time 		

Notes:

- The Position Limits available in Stock Index Derivatives are separately available for Futures and for Options and can be accessed at: <https://www.nseindia.com/products-services/equity-derivatives-position-limits>

9.4.1. Monitoring of Interest Rate Futures (IRFs) Limits

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

9.4.2. Currency Derivatives

FPIs are permitted to hedge their currency exposure on the OTC market by way of Forward Cover with Banks/ Primary Dealers or by participating in the Currency Derivatives Segment of the Exchange. The information related to currency hedging is provided in Chapter 12.

Currency Derivatives	RBI permits Foreign Investors to hedge <ul style="list-style-type: none"> – Up to 100% of their exposure in equity and debt investments – Up to USD 10 million equivalent of notional value (outstanding at any point in time) without the need to establish the existence of underlying exposure – Foreign investors can hedge their anticipated exposure – Forward contracts can be rolled-over on or before the maturity date of the contract – Forward contracts can be freely cancelled and rebooked 	Tenor of forward contracts should not exceed the tenor of the underlying exposure
Exchange Traded Derivatives	FPIs are permitted to deal in currency derivatives with INR as one of the currencies <ul style="list-style-type: none"> – Up to USD 100 million without having to establish existence of underlying exposure – Above USD 100 million or equivalent, underlying exposure to equity and debt should be provided FPIs are permitted to deal in cross-currency pairs involving USD, EUR, GBP and JPY	Tenor of forward contracts should not exceed the tenor of the underlying exposure

9.4.3 Commodity Derivatives

- FPIs are permitted to participate in Exchange Traded Commodity Derivatives (ETCDs)
- The requirement of actual exposure to Indian physical commodities, is no longer mandatory
- FPIs are permitted to participate in Exchange Traded Commodity Derivatives in India. Currently, they are permitted to participate only in cash-settled non-agricultural commodity derivative contracts and indices comprising such non-agricultural commodities

Position Limits:

- i. FPIs other than individuals, family offices and corporates may participate in eligible commodity derivatives products as ‘Clients’ and shall be subject to all rules, regulations, and instructions, position limit norms as may be applicable to clients, issued by SEBI, and stock exchanges, from time to time
- ii. FPIs belonging to categories viz., individuals, family offices and corporates will be allowed a position limit of 20% of the client-level position limit in a particular commodity derivative contract

9.5. Hybrid Securities (REITs, InvITs and AIFs)

9.5.1. Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs)

FPIs have been permitted to invest in REITs and InvITs, which are respectively regulated by SEBI under the SEBI (REITs) Regulations, 2014 and SEBI (InvITs) Regulations, 2014.

	REITs	InvITs
Concept	Special Trusts formed to serve as Collective Investment Vehicle, intending to invest the bulk of its money in Real Estate, in order to provide returns to the investors of such Trusts “REITs assets” includes properties, whether freehold or leasehold basis, whether directly or through a holding company and/ or a SPV	Special Trusts formed to serve as Collective Investment Vehicle, intending to invest the bulk of its money in Infrastructure Projects, which would increase public participation in infrastructure projects, reduce debt cost for the infrastructure development company, and allow investors access to a different class of portfolio to invest in
Issue of Units		
Conditions for Public Offer	<ul style="list-style-type: none"> – A REIT shall make an initial offer of its units by way of public issue only – Value of the REIT assets is at least INR 5 billion – The minimum number of unit holders forming part of the public is 200. Sponsor, its related parties and associates would not be included in this count. If the count is below 200, all subscription amount should be refunded 	<ul style="list-style-type: none"> – An InvIT shall make an initial offer of its units by way of public issue only – Value of all the assets owned by InvITs is not less than INR 5 billion
Offer Size	<ul style="list-style-type: none"> – The initial offer size should be at least INR 2.5 billion, and – Units offered to the public through initial offer, should be at least: <ul style="list-style-type: none"> – 25% of the total outstanding units of the REIT and units being offered by way of offer document, if the post-issue capital at offer price is less than INR 16 billion – INR 4 billion, if post-issue capital is more than or equal to INR 16 billion and less than INR 40 billion – 10% of the total outstanding units of the REIT and units being offered by way of offer document, if the post-issue capital at offer price is more than INR 40 billion 	<ul style="list-style-type: none"> – The offer size should be at least INR 2.5 billion, and – Units offered to the public through initial offer, should be at least: <ul style="list-style-type: none"> – 25% of the total outstanding units of the InvITs, if the post-issue capital at offer price is less than INR 16 billion – INR 4 billion, if post-issue capital is more than or equal to INR 16 billion and less than INR 40 billion – 10% of the total outstanding units of the InvIT, if the post-issue capital at offer price is more than INR 40 billion
Maximum Subscription	The maximum subscription from any investor other than sponsor, its related parties and its associates shall not be more than 25% of the total unit capital	25% of total unit capital, per investor in the initial offer
Minimum Investors	200	Public Offer: 20 Private Placement: Five (together holding at least 25% of total units at all times)
Allotment	<ul style="list-style-type: none"> – Allotment of units or refund of money, should be done within four working days from date of closure of issue – Units can be issued only in demat form – Price of units would be determined using book-building, or any other process specified by SEBI – Failure to allot or list the unit, or refund the money, would make the manager liable to interest of 15% per annum till the allotment, listing, or refund is completed – Proportionate allotment in case of over-subscription 	

	REITs	InvITs
Offer for Sale	Existing unit holders of REIT and InvIT are allowed to offer units for sale to public, if such units have been held by them for at least one year (up to the date of filing the offer document)	
Listing and Trading		
Mandatory Listing	Listing on recognised stock exchange mandatory after Initial Public Offer (IPO), within six working days from closure of offer	Listing on recognised stock exchange is mandatory: <ul style="list-style-type: none"> – Privately placed units: within six working days from date of the closure of issue – Publicly offered units: within six working days of closure of the IPO
Preferential Issue and Private Placement		
Definition	Institutional Placement has been defined as preferential issue of units by a listed REIT/ InvIT only to Institutional Investors	
Operational Modalities	<p>A listed REIT/ InvIT may make a preferential issue or institutional placement of units subject to following conditions:</p> <ul style="list-style-type: none"> – A resolution of the existing unitholders approving the issue of units is passed as per Regulation 22(6) of REITs Regulations/ Regulation 22(5) of InvIT Regulations – Units of the same class, as those proposed to be allotted should have been listed on a stock exchange for at least six months before the date of notice convening meeting of unit holders for above resolution – For Institutional Placement, the period for listing is at least six months before the date of notice – The REIT/ InvIT has obtained in-principle approval of the stock exchange for listing of units proposed to be issued – The REIT/ InvIT is in compliance with all the conditions for continuous listing and disclosure obligations under the REIT Regulations/ InvIT Regulations – None of the promoters or partners or directors of the sponsors or manager or trustee of the REIT/ InvIT is a fugitive economic offender under Fugitive Economic Offenders Act, 2018 – The REIT/ InvIT cannot make any subsequent institutional placement within two weeks from the date of the prior institutional placement 	
Strategic Investor		
Definition	<p>‘Strategic Investor’ means below listed investors who invest, either jointly or severally, at least 5% and not more than 25% of the total offer size of the REIT/ InvIT:</p> <ul style="list-style-type: none"> – Infrastructure Finance Company registered with the RBI as a NBFC – Scheduled Commercial Bank – Multilateral and/ or Bilateral Development Financial Institution – Systemically important NBFC registered with the RBI – FPI – Insurance Company registered with IRDAI – Mutual Funds 	

	REITs	InvITs
Operational Modalities	<p>A REIT or InvIT may invite subscription from strategic investors subject to below:</p> <ul style="list-style-type: none"> – The strategic investors, jointly or severally must invest a minimum of 5% and a maximum of 25% of the total offer size – Investment manager/ manager of InvIT/ REIT should enter into a binding unit-subscription agreement with the strategic investor. Unit-subscription agreement can be terminated only if the issue fails to collect minimum subscription – Subscription price per unit by the strategic investors to be included in unit-subscription agreement and the amount should be deposited in a special escrow account, prior to opening of the public issue – The price at which the strategic investor has agreed to buy units should not be less than the issue price determined in the public issue – If the price determined in public issue is higher than the price at which allocation is made to strategic investors, the strategic investor is required to bring in additional amount within two working days, from determination of the price in public issue – If the price determined in public issue is lower than the price at which allocation is made to strategic investor, the strategic investor would get allotment at the price decided in the unit-subscription agreement i.e., the excess amount, over the price determined in public issue, shall not be refunded – The draft offer document/ offer document, should disclose details of the unit-subscription agreement – Units subscribed by strategic investors under the unit-subscription agreement will be locked-in for a period of 180 days from the date of listing, upon the public issue 	

Notes:

- The minimum subscription under private placement of InvITs may be INR 250 million under certain circumstances
- Trading Lot for privately placed InvITs could be INR 20 million under certain circumstances

9.5.2. Alternative Investment Funds (AIFs)

Under SEBI (AIFs) Regulations, 2012, AIFs require registration with SEBI under one of three categories. While non-resident investors are permitted to invest in the three categories, FPIs are permitted to invest in only Category-III AIFs, up to 25% of the capital of the AIF. All investment conditions and restrictions as applicable to FPIs will be applicable for the Category-III AIF.

9.5.3. Funding of Investments in REITs, InvITs and AIFs

For an FPI, amount of consideration may be paid out of their SNRR account for trading in units of Investment Vehicle such as REITs, InvITs, and Alternative Investment Funds (AIFs), listed or to be listed (primary issuance) on the stock exchanges in India.

9.6. Reporting Requirements

The table below summarises the reporting requirements for FPI

Report FPIs	Reporting To	Frequency	Responsibility	Remarks
Assets Under Custody	SEBI and Depositories (NSDL, CDSL)	Monthly	Custodian	

Report FPIs	Reporting To	Frequency	Responsibility	Remarks
Equity and Debt Transactions	SEBI, RBI, and Depositories (NSDL, CDSL)	Daily	Custodian	
CSGL reporting of transactions	RBI	Weekly	Custodian	
Original maturity wise FPI holdings in Debt	SEBI	Monthly	Custodian	
Residual maturity reporting	SEBI, RBI	Monthly, Weekly	Custodian	
Debt Limit Reporting (Corporate Bonds)	Depositories (NSDL, CDSL)	Daily	Custodian	To facilitate calculation of daily debt utilisation limits of FPIs, the limits are published at EOD by the depositories on their website
Ownership pattern of G-Secs by FPI	RBI	Daily	Custodian	
FPI holding in Corporate Debt and G-Secs	RBI	Fortnightly	Custodian	Holding with details of purchase/ sale at an ISIN level for each FPI is reported
Client-wise Debt Holding	Depositories (NSDL, CDSL)	Monthly	Custodian	
Coupon and Bond Redemptions	RBI	Quarterly	Custodian	
Foreign Exchange Inflow and Outflow details	RBI	Weekly and Monthly	AD Category-I Bank	
Balances for FPI Clients	RBI	Weekly	AD Category-I Bank	
Non-trade Data (Dividend, Interest, etc.)	RBI	Quarterly	AD Category-I Bank	
Breach of Permitted Position Limits in Currency Derivative Segment	SEBI, RBI	On occurrence of the breach	Custodian Bank	
SEBI (SAST) Regulations, 2011	Please refer to the SAST Regulations for details		FPI/ FDI/ FVCI	

Report FPIs	Reporting To	Frequency	Responsibility	Remarks
Insider Trading Regulations	To the Company	Types of disclosures as per provisions of the Act – Initial Disclosures – Continual Disclosures – Disclosures by other connected persons	FPI/ FDI/ FVCI	
Issuance of ODIs: – Transaction Reporting (Equity, Debt and F&O) – Reporting of complete transfer trails of ODIs – Summary Report (As per the prescribed format)	SEBI	Monthly	FPIs issuing the ODIs	
Reconfirmation of ODI Positions	SEBI	Semi-annual	ODI-issuing FPI	Exception reporting: Only cases of divergence from reported monthly data
Periodic Operational Evaluation Certificate	SEBI	Annual	CEO or equivalent of the Issuer	

9.7. Investment Guidelines – Offshore Derivative Instruments (ODIs)

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

9.7.1. Conditions for Issuance of ODIs under FPI Regulations, 2019

I. Issue of ODIs

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

II. Regulatory Fees

Each ODI subscriber need to remit USD 800 + GST @18% to the FPIs issuing ODIs. The FPIs to deposit the fees with SEBI once every three years beginning April 1, 2017

III. KYC Requirements

KYC requirement are as follows:

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

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

Sr. No.	Name and Address of the Beneficial Owner (Natural Person)	Date Of Birth	Tax Residency Jurisdiction	Nationality	Whether Acting Alone or Together Through One or More Natural Persons as Group, with their Name and Address	BO Group’s Percentage Shareholding/ Capital/ Profit Ownership in the FPI	Tax Residency Number/ Social Security Number/ Passport Number of BO (provide any)
1							
2							

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

Ownership Basis

Information of Intermediate Material Shareholder/ Owner - on Ownership Basis Name	Direct/ Indirect Stake	Names of the Entities through which the stake in the FPI is held indirectly	Percentage Stake Held in the Applicant	Country/ Nationality	Individual/ Non-Individual

Control Basis

Name	Method of Control (Give Details Including Names of the Intermediate Structures, if any, through which Control is Exercised)	Percentage Control on the Applicant, if applicable	Country/ Nationality	Individual/ Non-Individual

- KYC to be reviewed at periodic intervals:
 - Annually for high-risk clients
 - Every three years for all others
- ODI-issuing FPIs shall file suspicious transaction reports, if any, with the Indian Financial Intelligence Unit, in relation to the ODIs issued by it

IV. Clubbing of Investment Limits for ODIs

- Two or more ODI subscribers having common ownership, directly or indirectly, of more than 50% or common control shall be considered together as a single ODI subscriber
- An entity holding position as a FPI as well as ODI subscriber, in the underlying Indian company will be clubbed together for monitoring the investment limit of below 10% of the total paid-up capital of the company on a fully-diluted basis

V. Transfer of ODIs

- ODI issuer shall ensure that any transfer of ODIs issued by it or on its behalf is carried out only to persons fulfilling the criteria under 9.7.1(I) and 9.7.1(III) mentioned above
- Prior consent of the ODI-issuing FPI should be obtained for such transfer unless the person to whom the ODIs are to be transferred to are pre-approved by the FPI

VI. Disclosure to SEBI

FPI to fully disclose to SEBI any information concerning the terms of and parties to ODI, entered into by it relating to any securities listed or proposed to be listed in any stock exchange in India.

VII. Threshold for Determination of ODI

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

VIII. Prohibition from Issue of ODI with Underlying as Derivatives:

FPIs shall not be allowed to issue ODIs referencing derivatives. Further, no FPI shall be allowed to hedge their ODIs with derivative positions on stock exchanges in India, except as under:

- Derivative positions that are taken on stock exchanges by the FPI for ‘hedging of equity shares’ held by it in India, on a one-to-one basis
- An ODI issuing FPI may hedge the ODIs referencing equity shares with derivative positions in Indian stock exchanges, subject to a position limit of 5% MWPL for single stock derivatives. The permissible position limit for stock index derivatives is higher of INR 1 billion or 5% of open interest. The term “hedging of equity shares” means taking a one-to-one position in only those derivatives which have the same underlying as the equity share

Please refer to the below table:

Sr. No.	ODI Reference/ Underlying	ODI Issuer’s Holdings in India against the ODI	Allowed	Exception
1	Cash Equity/ Debt Securities/ Any Permissible Investment by FPI (other than Derivatives)	Cash equity/ debt securities/ any permissible investment by FPI (other than derivatives), for life of ODI	Yes	None. Separate registration required to undertake any proprietary derivative transactions by such ODI-issuing FPI

Sr. No.	ODI Reference/ Underlying	ODI Issuer's Holdings in India against the ODI	Allowed	Exception
2	Cash equity	Cash equity on date of writing the ODIs and then move to derivative positions thereafter	No	Allowed through separate FPI registration, subject to the above 5% limit
3	Cash equity	Derivative on date of writing the ODI or thereafter except in manner referred at (2) above in table	No	None
4	Derivatives	Derivatives	No	Allowed through separate FPI registration, if FPI is holding cash equity and has short future position exactly against the cash equity in the same security (one-to-one basis). FPI to retain the cash equity for the life of ODI
5	Derivatives	Cash equity	No	None

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

9.7.2. Reporting of Issuance of ODIs/ Participatory Notes by FPIs

ODI issuing FPIs have to submit the following reports as per specified format and frequency:

- A monthly summary report and transaction details by the 10th of every month for the previous month's transactions
 - The ODI issuers are required to capture the details of all the intermediate transfers during the month in the monthly report submitted to SEBI
 - FPIs shall commence reporting to SEBI only from the month they start issuing ODIs' Manner of Submission:
 - To be sent by the compliance officer of the respective FPI
 - Password secured excel format via email (odireporting@sebi.gov.in). The password should be sent in a subsequent email
 - The subject line should read – 'ODI/ PN Report of [FPI Name and Registration No.] for the month of [...]'

Reconfirmation of ODI positions:

- Reconfirmation of positions by ODI issuers to be done on a semi-annual basis and any divergence from reported monthly data, to be informed to SEBI in the format specified
- Annual certificate on periodic operational evaluation, controls and procedures to be submitted (within one month of end of every calendar year) to SEBI duly signed by the Chief Executive Officer (CEO) or equivalent of the ODI issuing FPI

10

Clearing and Settlement

10.1. Overview

The core activities involved in the clearing and settlement function are:

- Trade capture
- Trade matching and confirmation
- Determination of obligation
- Pay-in of funds and securities
- Pay-out of funds and securities
- Risk management

10.2. Equities Clearing and Settlement

Settlement Cycle – Equity markets in India moved from T+2 to T+1 settlement cycle w.e.f. January 27, 2023.

Clearing participants and their functions in the settlement of an equity transaction on exchange:

- **Stock Exchanges** like National Stock Exchange (NSE), Bombay Stock Exchange (BSE) and Metropolitan Stock Exchange (MSE): provide the trading platform to its Trading Members (TMs)
- **Clearing Corporations (CCs)** like the NSE Clearing Limited (NCL)/ Indian Clearing Corporation Limited (ICCL): are responsible for post-trade activities on the stock exchange. Clearing and settlement of trades and risk management are the core central functions of CCs who determine the funds/ securities obligations of the Clearing Member (CM) on behalf of their TM/ investor client, and ensure that members meet their obligations
- **Trading Members (TMs)**: execute trades on the stock exchanges and assist with the settlement of trades. They have the option to give up the trades to custodian CMs of institutional investors for settlement
- **Clearing Members (CMs)**: are responsible for settling the obligations on behalf of the TMs as determined by the CCs. CMs need to make funds and/ or securities available in the designated accounts on the settlement day
- **Custodians**: as CMs, settle the trades assigned to them by TMs on behalf of the institutional investors
- **Clearing Banks**: settlement of funds takes place through clearing banks. All CMs need to have their cash account opened with one of the clearing banks
- **Depositories** like National Securities Depositories Limited (NSDL) and Central Depository Services Limited (CDSL): provide the electronic transfer of securities and help in the settlement of the dematerialised securities

I. Interoperability of Clearing Corporations (CCs):

While there are multiple stock exchanges in India, from a clearing and settlement perspective, all trades, irrespective of the stock exchange where they are executed, will settle through one

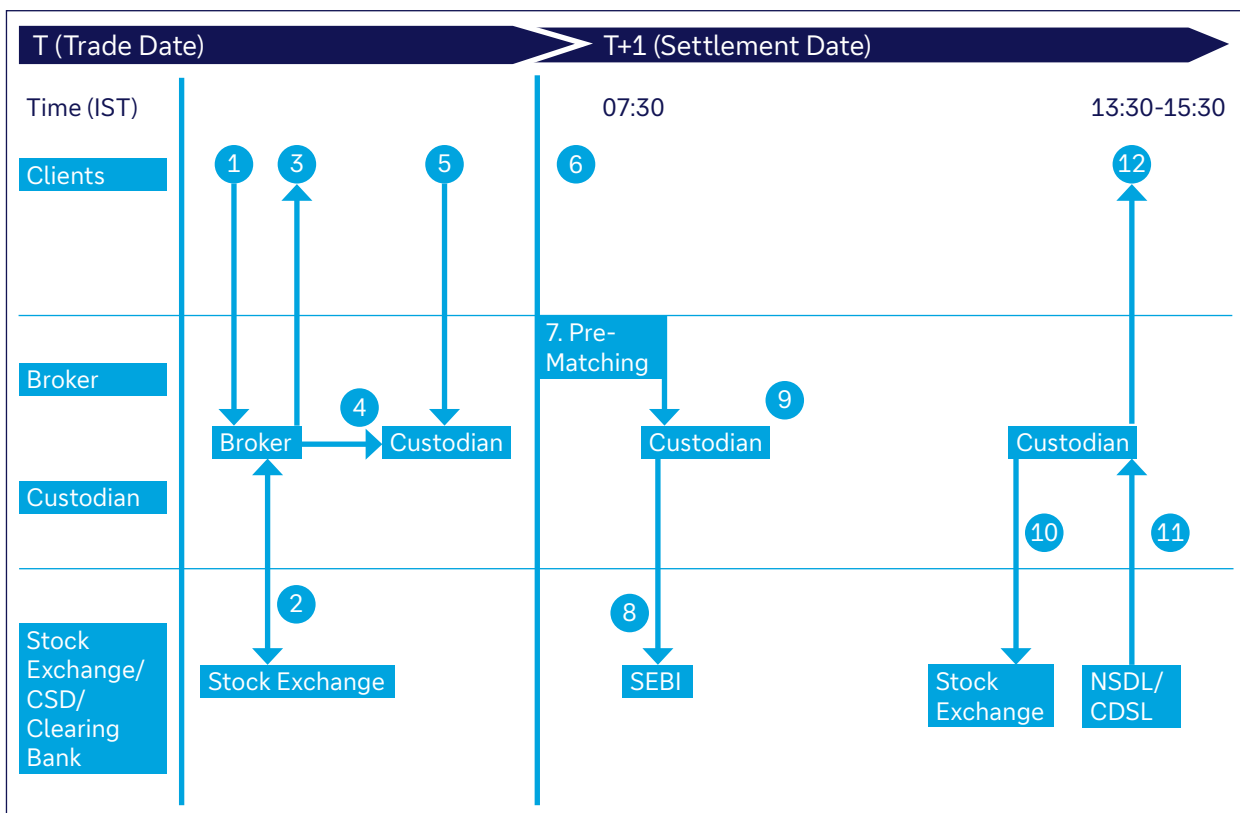
clearing corporation as chosen by the member. The CMs need to designate a CC through which the settlement of all trades will be conducted, irrespective of the exchange where the trade was executed. This allows for greater operational flexibility in terms of netting of trades across exchanges, cross-utilisation of margin, etc.

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

T+1 Settlement Cycle: All equity trades executed on the floor of the stock exchange on day T (trade date) flow to the custodian for confirmation on day T. Custodians are required to confirm the trade to their designated CC for settlement, latest by T+1, 7.30 am (IST). For non-institutional trades, custodians are required to collect margins upfront and report to CC, on T date. Confirmation of trades can be done on T latest by 19:30 hours. All confirmed trades will have to be settled by the custodian on T+1

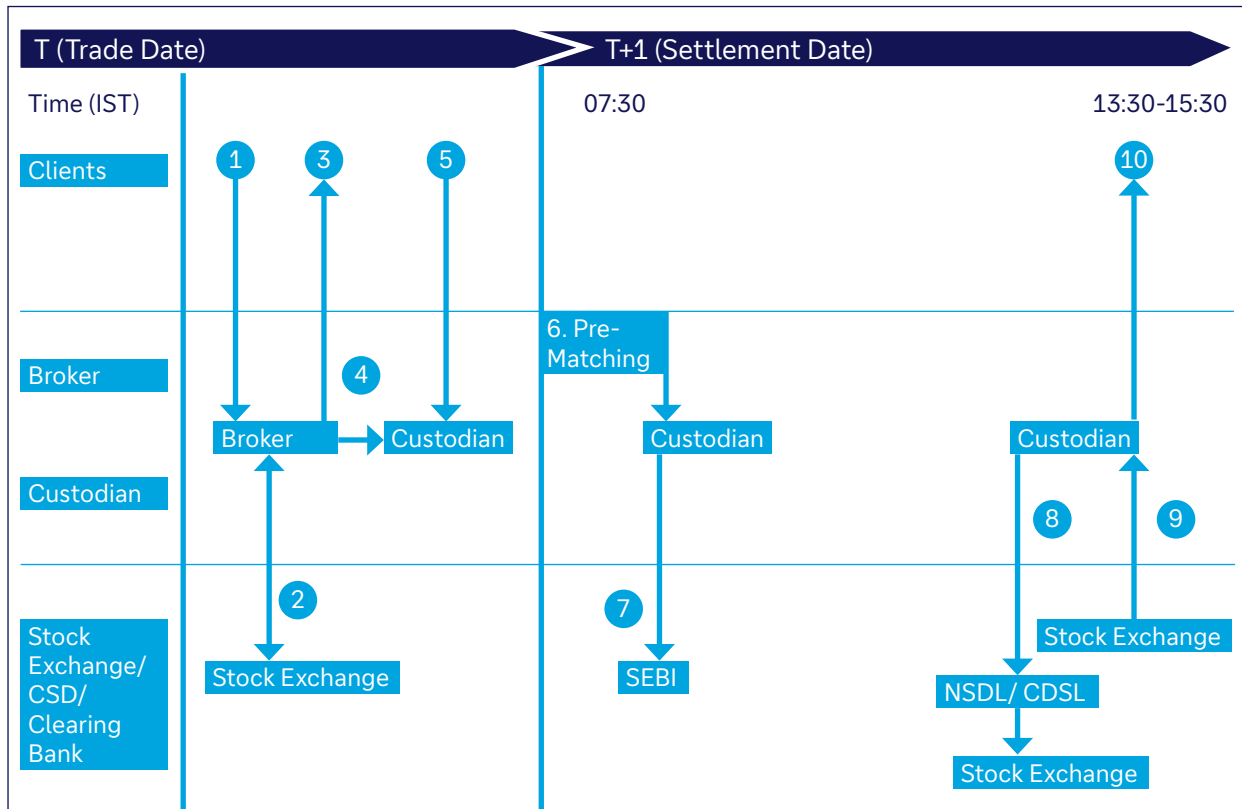
Pictorial representation of the settlement flow is as below:

Settlement Flow – Equity Purchase Trade (T+1 Cycle)



1. Client sends trade instruction to the broker.
2. Trade executed by the broker on the stock exchange
3. Trade confirmation sent by the broker to the client
4. The broker sends the Contract Note to the custodian, via STP gateway, on day T
5. The client sends settlement instructions to the custodian on day T/ T+1 morning
6. The client needs to arrange for INR funds for full settlement
7. Pre-matching and trade confirmation done by 07:30 hours on T+1 by the custodian. For non-institutional clients' trades, margins need to be collected upfront on T date, and trade confirmation to be done latest by 19:30 hours on T day
8. Reporting of transactions to SEBI
9. The client's bank account maintained with the custodian bank debited for settlement funding on T+1; for non-institutional clients, the amount will be debited on T date
10. Payment of settlement value to the exchange through the clearing bank
11. Pay-out of securities via depositories and credited to the client's security account maintained by the custodian
12. Settlement confirmation sent to the client

Settlement Flow – Equity Sell Trade (T+1 Cycle)



1. The client sends trade instruction to the broker
2. Trade executed by the broker on the stock exchange
3. Trade confirmation sent by the broker to the client
4. The broker sends Contract Note to the custodian, via STP gateway, on day T
5. The client sends settlement instruction to the custodian on day T/ T+1 morning
Pre-matching and trade confirmation done by 07:30 hours on T+1 by custodian. For non-institutional clients' trades, early pay-in of securities to be done on T date and trade confirmation latest by 19:30 hours on T day
6. Reporting of transactions to SEBI
7. Pay-in of securities by 10:30 hours to the depositories
8. Pay-out of funds received via the clearing bank
9. Credit proceeds to the client's account and settlement confirmation sent to the client

III. Margins in Cash Market

There are no margins applicable to institutional trades (i.e. FPIs registered under Category-I and Category-II, except individuals, corporate bodies, and family offices). Upfront margins are applicable to non-institutional trades. The key margins applicable are:

- Value-at-Risk (VaR) Margin
- Extreme Loss Margin (ELM)
- Mark-To-Market (MTM) Margin
- Peak Margin/ Upfront Margin

Early Pay-In

- Early delivery of funds/ securities to the CC, thereby mitigating any risk of default. Trades for which early pay-in has been affected, will not be subject to the margins prescribed above. Non-institutional investors are permitted to make early pay-in of funds and securities to avoid margins on trades
- FPIs in Category-II that are Corporate Bodies, Individuals or Family Offices are margined on an upfront basis (T+0), i.e., client will have to pre-fund their account to the extent of applicable margins before taking position in the market on T Day and report to CC

- CMs are required to report to CCs on the margins collected and paid to the CC/ retained by the member. Non-reporting of margin collection, short collection of margin from the client, or false reporting would be liable for disciplinary action/ penalty

IV. Shortage Handling

- Buy-In: In the event that a seller does not deliver the shares at the stock exchange, a buy-in (auction) is conducted by the stock exchange. The stock exchange invites bids for sale for the shortage quantity, and the difference in amount (i.e. between the buy-in price and the original sale price) is charged to the seller by the stock exchange. The buy-in is conducted on T+1, and the buy-in settlement occurs on T+2 on the BSE and the NSE. CCs have been provided the flexibility to decide on the time for conducting the settlement auction session on or before T+2 day
- Close-Out: Where a buy-in does not result in delivery of the quantity necessary to meet the securities' shortage, the exchange would close-out the shortages and deliver cash to the broker receiving short securities. The close-out price is the highest price prevailing from the trade date till the day of closing-out, or 20% above the official closing price on the auction day, whichever is higher

V. Settlement of Unlisted Securities

- The share transfer in case of unlisted equity happens off-market, between the buyer and seller. The transaction needs to comply with the conditions specified in the respective schedules of the FEMA Non-Debt Rules. The seller has to pay stamp duty upfront in case of off-market transactions. It is paid by the seller to the depository either through their custodian or directly. Kindly refer to section 13.5 for details on stamp duty rates
- FPIs are not permitted to invest in unlisted securities

10.3. Debt Securities

10.3.1. Government Securities (G-Secs), Treasury Bills (T-Bills) and State Development Loans (SDLs)

Secondary market deals in the above-mentioned debt securities are either executed through the anonymous order matching platform i.e. Negotiated Dealing System-Order Matching (NDS-OM) or through the Over-the-Counter (OTC) market. All OTC trades are reported to RBI-SGL through NDS-OM of the RBI. Clearing Corporation of India Limited (CCIL) is the designated CC for these deals, and acts as a Central Counterparty (CCP) to the deals, thus providing settlement guarantee for the transactions. G-Secs can also be traded on the stock exchanges.

NDS-OM is a screen-based electronic anonymous order matching system, for secondary market trading in G-Secs, owned by the 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 the RBI. These are Primary or Direct Members (PM) of NDS-OM and are permitted by the RBI to become members of NDS-OM.

RBI has permitted certain PM financial institutions like Banks and PDs to open and maintain Gilt Accounts for their constituents, known as Gilt Account Holders (GAH). Such accounts are termed as Constituent Subsidiary General Ledger (CSGL). CSGL account holders also execute bilateral trades in G-Secs. Reporting for such trades is done on the NDS-OM reporting module through the entities providing the CSGL service.

I. Holding of Government Securities

- **RBI as Depository:** All the RBI regulated entities have to hold, and transact in, G-Secs only in dematerialised or book entry (SGL) form. The Public Debt Office (PDO) of the RBI, Mumbai acts as the registry and central depository for the G-Secs. The holders can maintain their securities in

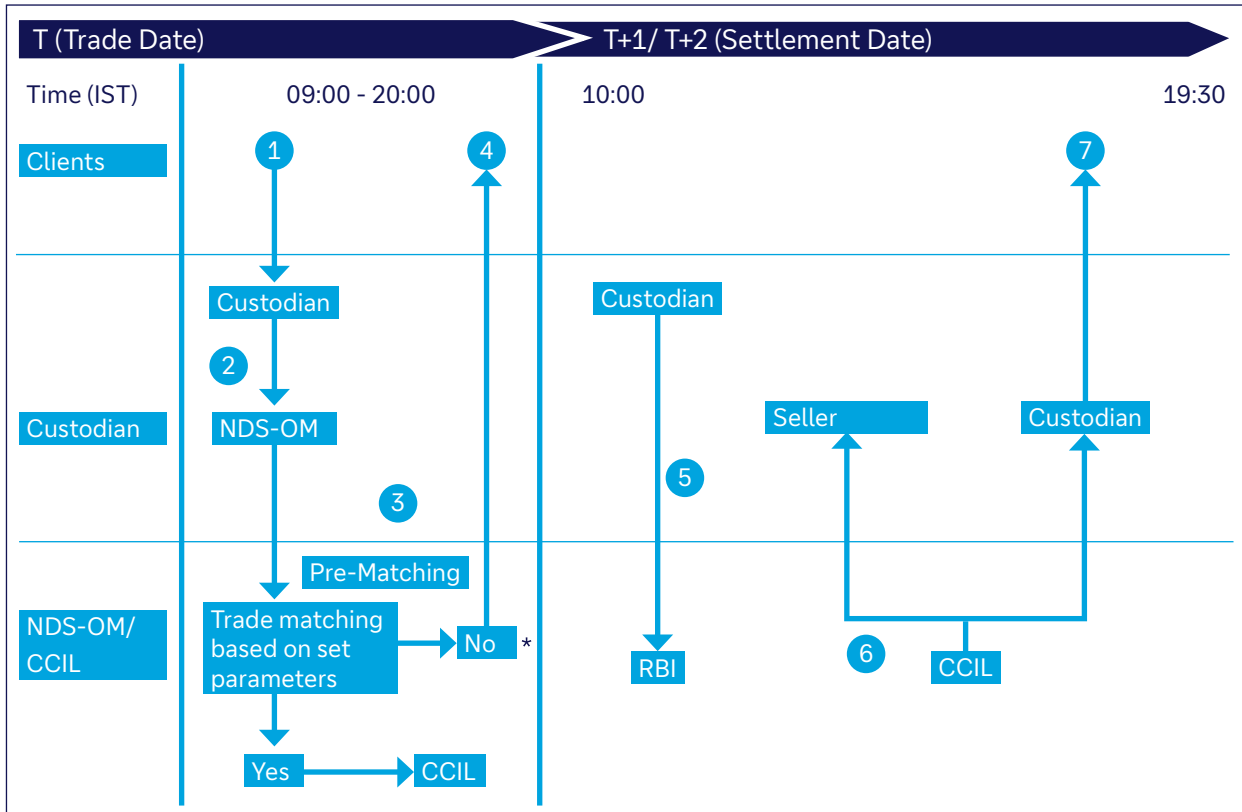
either of the two ways:

- **SGL Account:** RBI offers Subsidiary General Ledger (SGL) account facility to direct members (predominantly banks, primary dealers and large financial institutions) who can maintain their securities in SGL accounts held with the PDO of the RBI
- **Gilt Account:** As the eligibility to open and maintain an SGL account with the RBI is restricted, an investor has the option of opening a Gilt Account with a bank or a Primary Dealer permitted to open accounts of constituents, called as Constituents' Subsidiary
- **General Ledger (CSGL) Account with the RBI:** Under this arrangement, the Bank or the Primary Dealer, acts as a custodian of the Gilt Account Holders (GAH). They would maintain the holdings of constituents in a CSGL account (which is also known as SGL-II account) with the RBI. Receipt of maturity proceeds and periodic interest 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 GAH in their books
- **Demat Account with Indian Depositories:** Investors are permitted to hold G-Secs in demat accounts opened with the depositories (NSDL/ CDSL). This facilitates trading of G-Secs on stock exchanges

II. Clearing and Settlement

- **Standard Settlement:** All outright secondary market transactions in G-Secs are settled on a T+1 basis, meaning the transactions are settled one business day after the trade date
- **Exceptions for FPIs:**
 - FPIs have the flexibility to settle their OTC transactions in G-Secs on either a T+1 or T+2 basis, depending on the mutual agreement between the involved parties
 - Regardless of the settlement period chosen, these transactions must be reported on the NDS-OM reporting platform on the same day the trade is executed
 - All other settlement conditions that apply to T+1 transactions will also apply to those settled on a T+2 basis
- **NDS-OM Web-Platform:** Transactions executed by FPIs through the NDS-OM web-platform will be settled on a T+1 basis
- **Direct Trading:** FPIs are allowed to trade in G-Secs directly without the need to use a broker's services

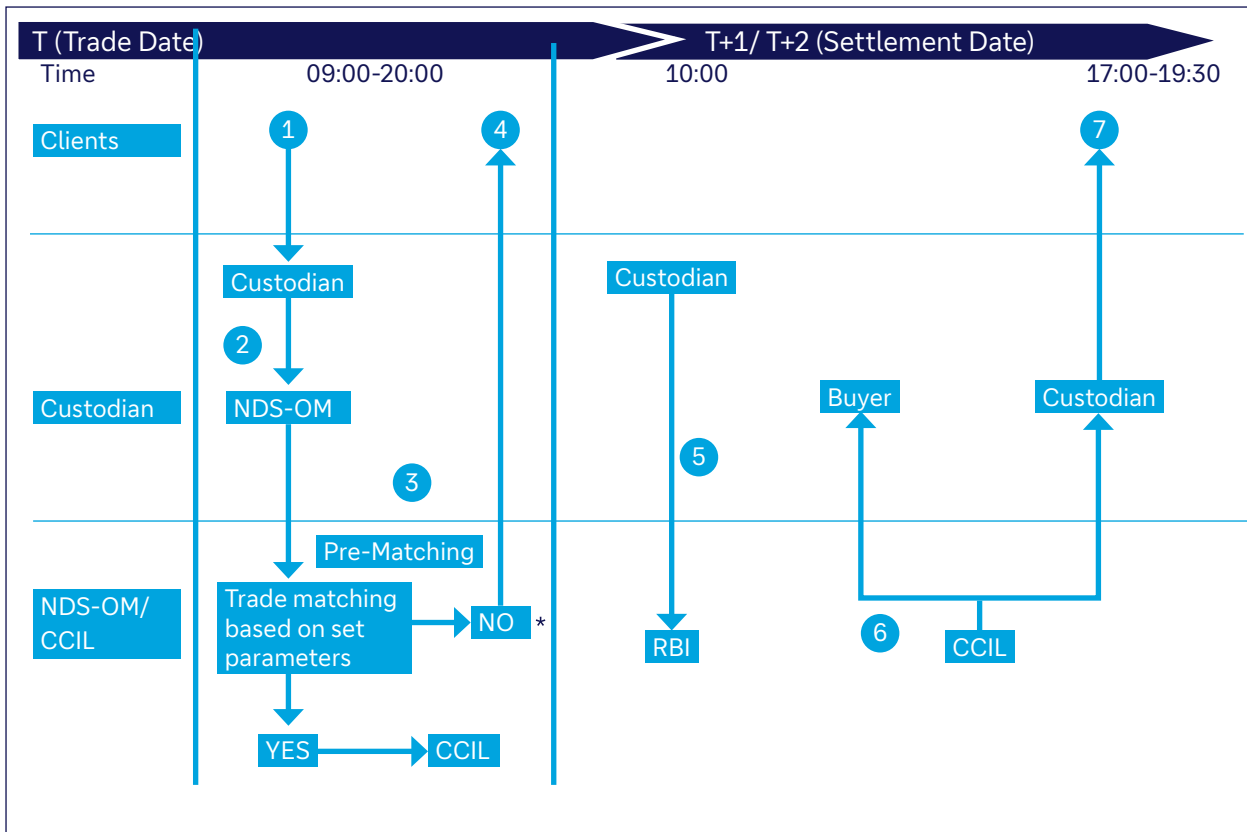
Settlement Flow – G-Secs Purchase Transaction



1. Client sends trade instructions to the custodian
2. Reporting (by buyer and seller) of trades on NDS-OM to be completed within 15 minutes of trade execution and no later than 5 pm on the trade date. FPIs have been permitted to report trade within three hours after the close of trading hours for G-Secs market
3. Pre-matching is done with the counter-party based on set parameters. If matched, trades are transferred to CCIL for settlement
4. In case matching fails, intimation sent to the client to revise trades
5. Debit settlement amount from the client's account and make payment to RBI on settlement date (T+1 or T+2)
6. CCIL transfers funds to the seller and securities to the buyers CSGL account for further credit to client account by custodian
7. Settlement confirmation sent to the client

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

Settlement Flow – G-Secs Sell Transaction



1. Client sends trade instructions to the custodian
2. Reporting (by buyer and seller) of trades on NDS-OM to be completed within 15 minutes of trade execution and no later than 5 pm on Trade date. FPIs have been permitted to report trade within three hours after the close of trading hours for G-Secs market
3. Pre-matching done with the counter-party based on set parameters. If matched, trades are transferred to CCIL for settlement
4. In case matching fails, intimation sent to the client to revise trades
5. Securities are debited from the client's Gilt account
6. CCIL transfers funds to the seller and securities to the buyers CSGL account for further credit to client gilt account held with custodian
7. Credit client's cash account and send a settlement confirmation to the client

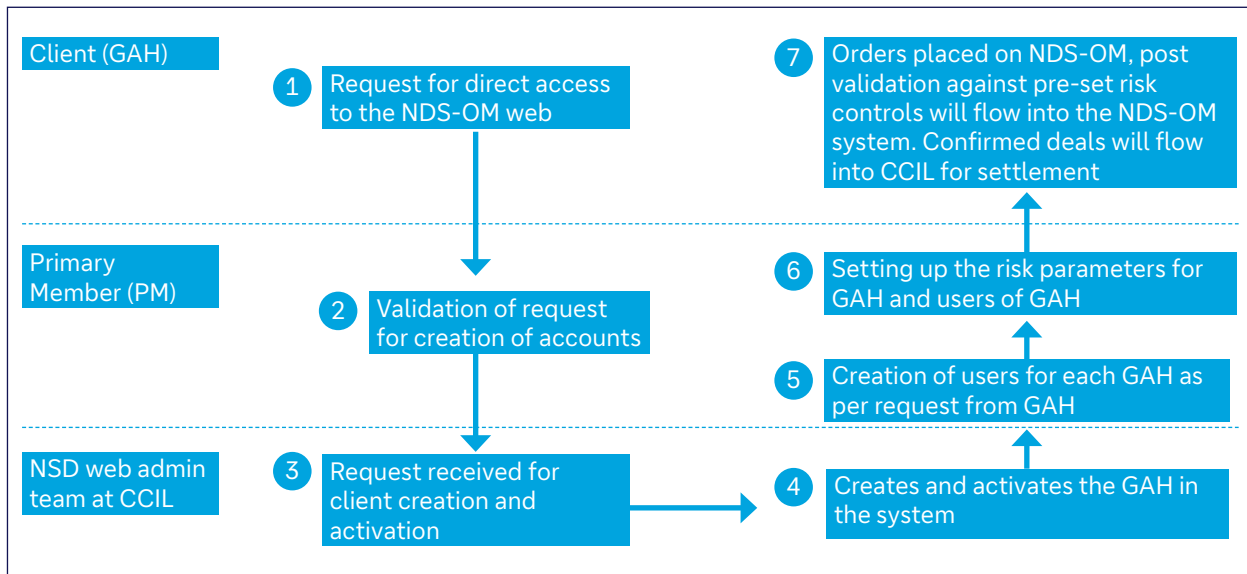
*Trades remain unmatched in the NDS-OM platform and are cancelled at the end of the day.

III. NDS-OM Web Module

To enhance the access of GAH to NDS-OM, an internet-based web application is provided to such clients who can have direct access to NDS-OM. The internet-based utility permits GAHs to directly trade (buy and sell) in G-Secs in the secondary market. The access, however, is subject to controls by respective PMs with whom GAHs have Gilt accounts and current accounts.

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

Steps in Granting NDS-OM Web Access to the Client



To prevent unauthorised access and to ensure non-repudiation, the RBI has stipulated that a Digital Signature Certificate (DSC) has to be obtained for each GAH user. DSC has to be installed in an e-token which provides the second layer of security. Before a GAH User is created by the PM, the PM has to ensure that the DSC and the e-token have been procured for the GAH User. The DSC should be issued by one of the approved agencies by MeITY.

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

Advantages of using NDS-OM web module for the FPIs:

- GAH will have access to the same order book of NDS-OM as the Primary Members
- GAH will be able to place/ modify/ cancel/ hold/ release their orders, and will have access to real-time live quotes in the market

IV. Margins in G-Secs Market

Risk Management Process for G-Secs: During the clearing and settlement processes, CCIL, as the Central Counterparty (CCP), is exposed to certain risks which may arise due to a default by any of its members to honour their obligations. CCIL manages the exposures by collection of Initial Margin and Mark-to-Market (MTM) Margin (both intra-day and end of day) from members in respect of their outstanding trades. Apart from this CCIL also collects Volatility Margin, and in some instances Concentration Margin too.

Initial Margin is collected to cover the potential risk from future adverse movement of prices of the concerned securities.

MTM Margin is collected to cover the notional loss (i.e. the difference between the current market price and the contract price of the security covered by the trade) already incurred by a member. Both the margins are computed trade-wise and then aggregated member-wise. In case of an unusual volatility in the market, CCIL may also collect Volatility Margin from the members.

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

10.3.2. Investing in Corporate Debt

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

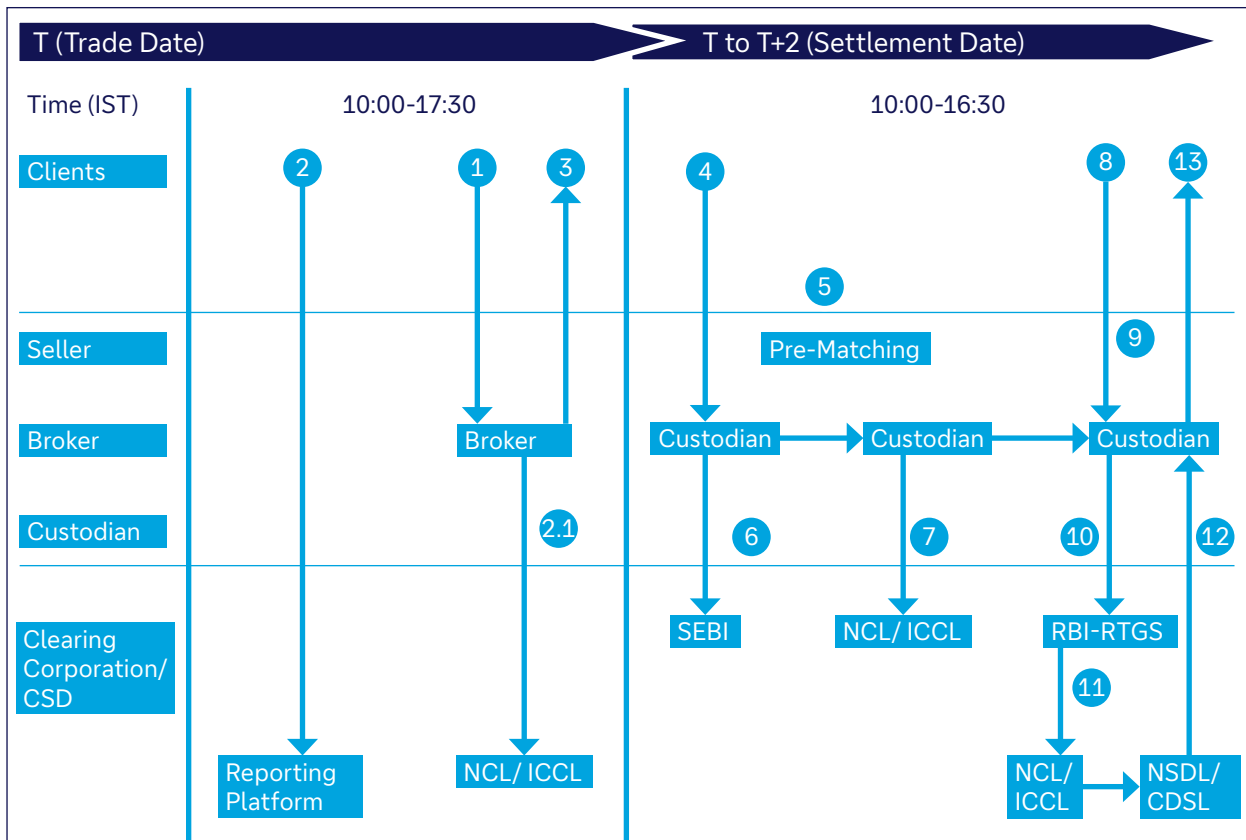
10.3.2.1. OTC Corporate Bond Trades

Most of the trades in the corporate debt market are executed bilaterally between the parties to the deal. All OTC trades are mandatorily required to be reported and settled through the CCs of the exchanges i.e. through the NCL and ICCL – CCs of the NSE and BSE respectively. The trading and settlement of corporate bond trades are carried out between Monday to Friday for three settlement cycles viz. T+0, T+1 and T+2. FPIs have the option to trade directly in the corporate debt market without availing the services of a broker. For OTC trades reported and settled through the CCs, there are no margins payable. OTC trades, reported on the exchange and settled through the CCs, are settled on gross basis and are not guaranteed by the CCs.

The bond reporting platform offered by the NSE is known as Corporate Bond Reporting and Integrated Clearing and Settlement (CBRICS) platform.

The BSE uses the New Debt Segment Reporting and Settlement and Trading (NDS-RST) platform as its debt reporting platform.

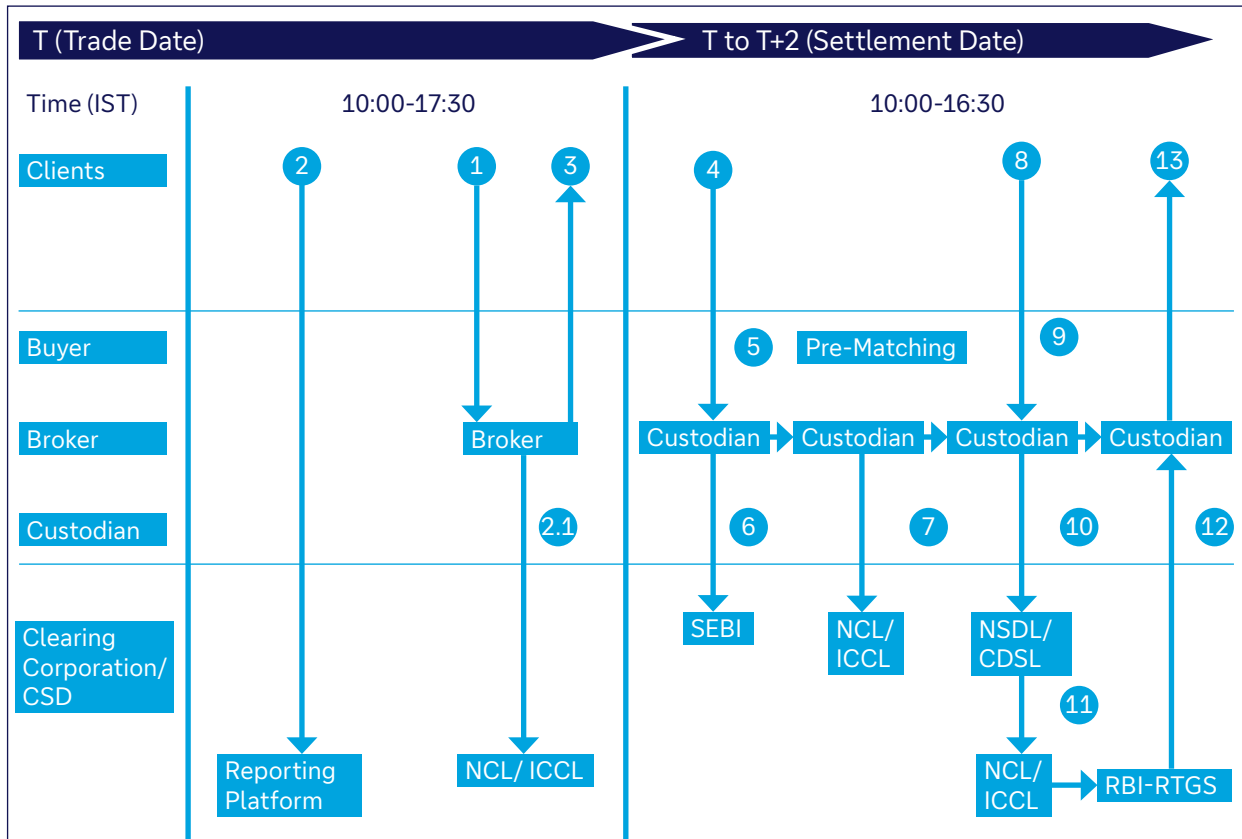
Settlement Flow – Purchase Trade Corporate Bonds



1. Trade instructions sent by the client to the broker, or is directly agreed with a counterparty
2. Trade reported on exchange reporting platform
 - 2.1. The broker reports the trade to the exchange
3. Trade confirmation sent to the client along with broker contract note
4. Settlement instructions as per agreed timeline
5. Pre-matching between client instructions and entry on bond reporting platform
6. Reporting of the trade to SEBI

7. Trade confirmed on NCL or ICCL
8. Debit client's cash account
9. Pay-out of funds to the CCs through RBI-RTGS
10. Settlement via the CCs
11. Delivery of bonds and credit to the client's account through the depository
12. Settlement confirmation sent to the client

Settlement Flow – Sale Trade Corporate Bonds



1. Trade instructions sent by the client to the broker, or is directly agreed with a counterparty
2. Trade reported on exchange reporting platform
 - 2.1. The broker reports the trade to the exchange
3. Trade confirmation sent to the client along with broker contract note
4. Settlement instructions as per agreed timeline
5. Pre-matching between client instructions and entry on bond reporting platform
6. Reporting of the trade to SEBI
7. Trade confirmed on NCL and ICCL
8. Debit client's security account for pay-in of securities
9. Pay-in of securities through depositories
10. Settlement via the CCs
11. Funds received via RBI-RTGS
12. Credit client's cash account and send the settlement confirmation

10.3.2.2. Corporate Bonds Trades Executed and Settled through Exchange Platform

The corporate bond trades can also be executed on the stock exchanges. Trades executed on exchange platform are settled through the designated CC of the custodian/ clearing member. These trades are governed under the risk management guidelines of the designated CC, including payments of relevant margins and guaranteed by the CCs. These trades settle on T+1 basis.

10.4. Derivatives

FPIs are allowed to invest in derivatives traded on recognised stock exchanges. Derivatives include Index Futures, Index Options, Stock Futures and Options, Interest Rate Derivatives, Currency Derivatives and Non-Agricultural Commodity Derivatives.

10.4.1. Equity Derivatives

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

The CCs have a comprehensive risk containment mechanism for the F&O segment. The most critical component of a risk containment mechanism for the CCs (NCL/ ICCL) is the online position monitoring and margining system. The actual margining and position monitoring is done online on an intra-day basis. The margins levied for the F&O segment, under the risk management framework, of the exchanges are:

- Initial Margin
- Premium Margin
- Extreme Loss Margin
- Any additional margins as decided by the exchanges from time to time

Settlement Mechanism – The settlement of trades is on T+1 working day basis.

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

Final Settlement of **futures contracts on index and individual securities**: On the expiry of the futures contracts, the CCs mark all positions of the CMs to the final settlement price and the resulting profit/ loss is settled in cash.

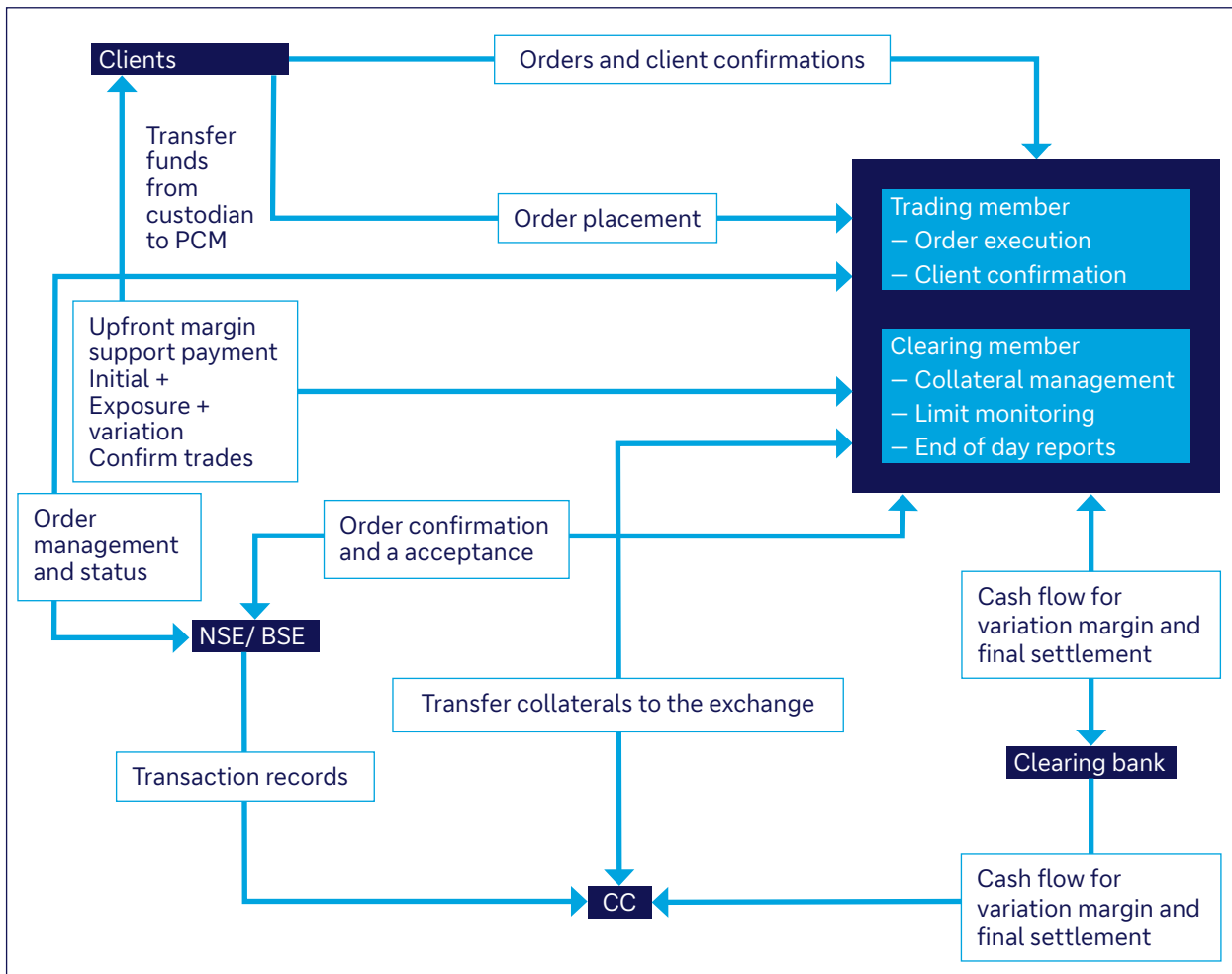
The final settlement profit/ loss is computed as the difference between the trade price or the previous day's settlement price, as the case may be, and the final settlement price of the relevant futures contract. Final settlement loss/ profit amount is debited/ credited to the relevant CM's clearing bank account on T+1 day (T = expiry day). Open positions in futures contracts cease to exist after their expiration day.

Daily Premium Settlement of **options contracts on index and individual securities**: Premium settlement is cash settled and the settlement style is premium style. The premium payable position and premium receivable position are netted across all the option contracts for each CM at the client-level to determine the net premium payable or receivable amount, at the end of each day. The pay-in and pay-out of the premium settlement is on T+1 day (T = trade day).

Final Exercise Settlement of **options contracts on index and individual securities**: Final exercise settlement is in effect for option positions at in-the-money strike prices existing at the close of trading hours, on the expiration day of an option contract. Long positions at in-the-money strike prices are automatically assigned to short positions in option contracts with the same series, on a random basis.

Final settlement loss/ profit amount for option contracts on index/ individual securities is debited/ credited to the relevant CMs clearing bank account on T+1 day (T = expiry day). Open positions, in option contracts, cease to exist after their expiration day.

I. Process Flow



II. Physical Settlement of Equity Derivatives

Since December 2018, all new stock introductions in the derivatives segment are physically settled. Single stock futures and options contracts follow physical settlement by way of delivery/ receipt of the securities/ cash.

i. Settlement Procedure

- The following positions in respect of contracts identified by the exchange shall be physically settled:
 - All open futures positions after the close of trading on the expiry day
 - All in-the-money contracts which are exercised and assigned
- The facility of do-not-exercise provided for Close to Money (CTM) option contracts remain applicable in respect of stocks which are identified for physical settlement
- The quantity to be delivered/ received would be equivalent to the market lot* number of contracts which result in physical settlement
- The settlement obligation value shall be computed as under:
 - Futures – Settlement obligations shall be computed at futures’ final settlement price of the respective contract
 - Options – Settlement obligation shall be computed at respective strike prices of the option contracts

- The final deliverable/ receivable positions of a CM shall be arrived at after netting the obligations of all clients/ constituents/ trading members clearing through the respective CM
- Physical settlement of the securities shall be done only in dematerialised mode through the depositories
- The physical settlement will take place on Expiry + 1 day

ii. Shortage Handling

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

iii. Additional Margin applicable for Physical Settlement

Post expiry, for positions which are converted to physical settlement, margins as applicable in the Cash Equity segment (i.e. VaR, Extreme Loss Margins, Mark-to-Market (MTM) Margins) shall be applicable and levied as delivery margins.

- VaR and Extreme Loss Margins: The VaR and Extreme Loss margins as computed in the Cash Equity segment shall be applied on the client-level settlement obligations
- MTM Margins: End of day MTM margins shall be computed on the expiry day and Expiry + 1 day as the difference between settlement obligation and value of positions at the closing price of the security in the Capital Market segment. MTM loss in one security shall be netted against profit of other security for the same client
- Delivery Margin (DM): Delivery margin will be applicable in addition to the existing framework. These margins shall be levied on lower of the potential deliverable positions or in-the-money long option positions five working days prior to expiry (including expiry day) of the derivative contract which has to be settled through delivery
- Clearing/ Trading Members are required to collect delivery margin and report the same through the existing client margin reporting mechanism. Further, DM shall be levied at client-level and collected from clearing members in a staggered manner as under:
 - 10% of DM on Expiry - 4 days
 - 25% of DM on Expiry - 3 days
 - 45% of DM on Expiry - 2 days
 - 70% of DM on Expiry - 1 day, and
 - 100% of DM on the Expiry day

10.4.2. Interest Rate Futures (IRFs)

CCs are the clearing and settlement agency for all deals executed on the derivatives segment relating to IRFs. They also act as a legal counterparty to the deals, and guarantee the settlement. The margins levied for this segment under the risk management framework of the exchanges are:

- Initial Margin
- Calendar Spread Margin
- Extreme Loss Margin
- Any additional margins as decided by the Exchanges from time to time

Settlement Mechanism – All transactions relating to IRFs will be cash-settled in Indian Rupees (INR)

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

Final Settlement: On the expiry of the IRF contracts, CCs mark all positions of a CM to the final settlement price and the resulting profit/ loss is settled in cash

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

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

10.4.3. Currency Derivatives

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

Settlement Mechanism: The settlement of currency futures and options contracts would be settled in cash in INR.

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

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

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

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

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

10.5. Risk Management at Exchanges

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

10.5.1. Margins

A key part of the risk management system due to volatility in the stock price movement leading to risk, is addressed by the margining system of stock markets. Daily margins comprise of:

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

Participants may deposit collaterals in the form of cash equivalents i.e. cash, fixed deposit receipts and bank guarantee, G-Secs and foreign securities based on the segment. The collateral deposited by the participant is utilised towards margin requirement of the participant.

10.5.2. Capital Adequacy Requirements

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

10.5.3. Core Settlement Guarantee Fund (CSGF)

The SEBI and the RBI have prescribed norms for the Core Settlement Guarantee Fund (CSGF) and Default Waterfall and Stress Testing aimed at enhancing the robustness of the risk management systems of the CCs, for dealing with defaults of the CMs in an effective manner. In the event of failure of a trading member, CSGF is utilised for successful completion of the settlement, which eliminates counter-party risk of trading on the exchange. At any point of time, the contributions by members to the CSGF of any segment shall be reviewed by SEBI from time to time considering the prevailing market conditions. CCs may utilise the CSGF in the event of a failure of the CM to honour settlement commitment. CCs have a pre-defined waterfall for using the CSGF in case of default in any segment. In case of CCIL, the clearing corporation for G-Sec, members contribute to the Default Fund. These are periodically reviewed and based on the exposure there can be a margin call to contribute to this Fund. The default waterfall mechanism of CCIL specifies the order in which the funds will be used to meet the losses due to default of any member.

10.5.4. Graded Surveillance Measure

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

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

[Graded Surveillance Measure \(GSM\) \(bseindia.com\)](http://bseindia.com)

[Graded Surveillance Measure \(GSM\) \(nseindia.com\)](http://nseindia.com)

11

Asset Servicing

11.1. Overview

A corporate action is an event in the life of a security when an issuer of an existing security distributes benefits to shareholders/ bondholders or changes the security's structure, thus affecting the existing holding in that security. The sources of corporate action events' information are as follows:

i. Primary sources:

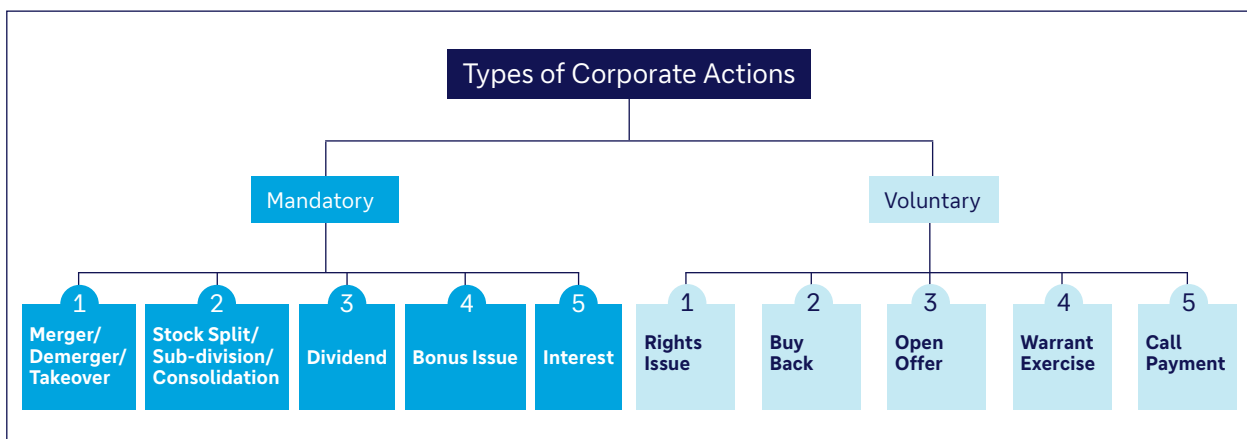
- Stock exchange bulletins and downloads, and SWIFT updates
- Direct information from the company/ institution – official public announcements

ii. Secondary sources:

- Newspapers and other periodicals
- Local data vendors

11.1.1. Types of Corporate Actions

The most common types of corporate actions are:



11.1.2. Corporate Action Highlights

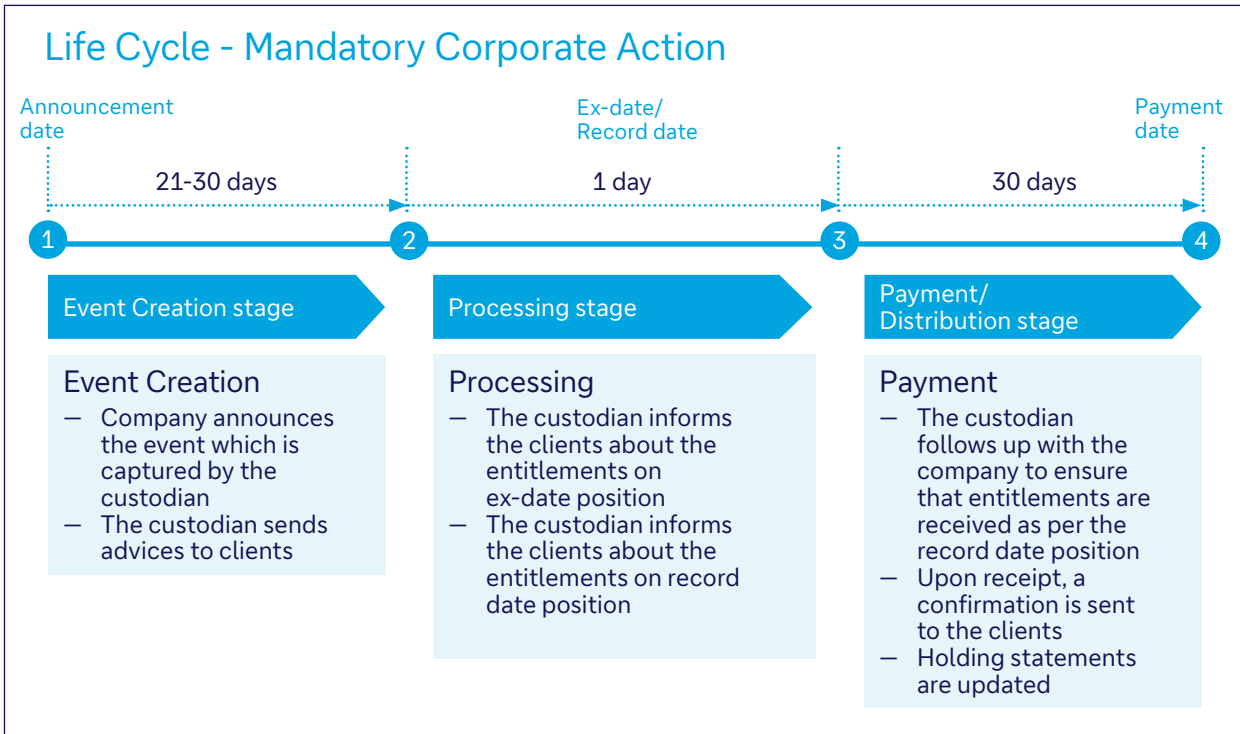
Corporate Action Highlights	
Peak period	April – September
Entitlement date	Record date
Entitlement computation	On the record date
Pay date	There is a concept of pay date, but it is not mandatory
Corporate action claims	While there is no automatic claiming procedure within the markets, the Agent Bank would contact the respective counterparty to receive corporate action benefits on behalf of the client

Important Dates

Announcement Date	<ul style="list-style-type: none"> – Listed companies should give advance notice of at least seven working days (excluding the date of intimation and the record date), of the record date, to the relevant stock exchanges – Shareholders to be given a notice of 21 days before AGM/ EGM
Book Close Date	– Date on which the company will close its books for the record of its shareholders for disbursement of the corporate action's entitlement
Record Date	<ul style="list-style-type: none"> – Record date is the cut-off date for determining the number of registered members who are eligible for the corporate action benefits – Record date for the payment of interest (or dividend)/ repayment of principal of debt securities/ non-convertible redeemable preference shares shall be 15 days prior to the due dates of such payment obligation, as per SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021
Ex-Date	<ul style="list-style-type: none"> – Date before which, if that particular stock is bought in the market, the buyer is entitled to receive the corporate action entitlements – Such a trade is known as a 'cum dividend/ cum bonus', i.e. the trade is executed inclusive of all the entitlements/ benefits
Payment Date	<ul style="list-style-type: none"> – Crediting of the benefit is to be made within 30 days from the announcement date, or the AGM date – Although there is a requirement for declaration of pay date for dividend, companies are yet to adopt the practice of announcing the pay date prior to providing the benefits
Period of Offer	– Period of offer is specified in the offer document for each event

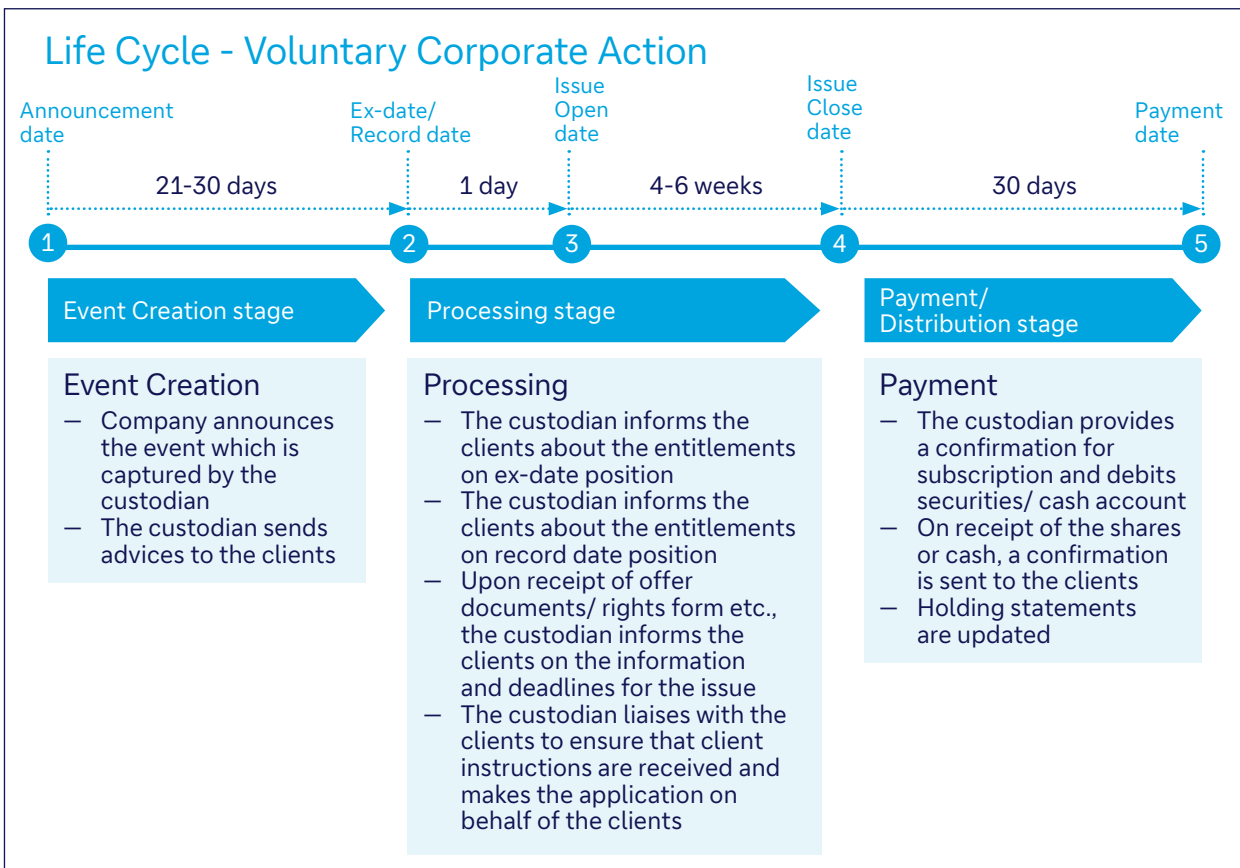
11.2. Life Cycle – Mandatory Corporate Action

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



11.3. Life Cycle – Voluntary Corporate Action Events

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



11.4. Voting

Highlights	
Peak season - AGM	March – November
Eligible securities	Equity shares
Notice period	21 days prior to the AGM
Eligibility date	Record date
Blocking of shares	No
Re-registration	Not applicable
Voting method	Multiple – Physical presence at the meeting, postal ballot, electronic voting, proxy voting
Split voting	Permitted only in case of voting by poll
Meeting results	Immediate, if voting is held by show of hands. In case of postal ballot/ e-voting, results are made available within 48 hours from the meeting date

11.4.1. E-Voting

The Companies Act, 2013 mandates that every listed company and companies having at least 1,000 shareholders to provide the facility of voting at general meetings by electronic means.

Key features of e-voting:

- The e-voting period is open for three days and closes at least one day prior to the meeting date
- Shareholders/ members can e-vote directly, or provide their requisite instructions to the custodian to submit their e-vote
- Shareholders/ members who do not have access to e-voting facility can communicate their assent or dissent through ballot form
- Wherever the company has opted for e-voting, the voting by show of hands has been discontinued
- E-votes once exercised cannot be modified
- If e-voting has been done for a client, proxy cannot take part in the voting at the meeting for the given client
- Shareholders/ members exercising e-voting can attend the meeting but cannot vote at the meeting
- Board of Directors of the company appoints an external person to scrutinise and certify that the e-voting process is fair and transparent

11.4.2. Proxy Voting

- Section 109 of the Companies Act, 2013 entitles any member of the company to attend and vote at a meeting, or appoint another person as his proxy to attend and vote in his place
- All shareholders registered in books of the company as on the record date/ book closure date are eligible to vote
- In case of proxy, the submission of the proxy form with the issuer is at least 48 hours or two working days before the meeting date (96 hours or four working days for banks). In case of e-voting, the period of voting ends one day prior to the meeting date
- Resolutions at company meetings can be put to vote by a show of hands or poll. However, a proxy cannot exercise voting rights on a show of hands
- In case a vote is cast by way of e-voting or postal ballot, the proxy cannot participate in the vote at the meeting

11.4.3. Publication of Outcome of the Meeting

The results declared along with the scrutiniser's report are placed on the website of the company and on the website of the Registrar and Transfer Agents (RTAs) within two days of passing of the resolution at the relevant general meeting of members.

12

Banking and Currency Hedging Guidelines

12.1. Permissible Banking Facilities

Foreign Exchange Management Act, 1999 (FEMA) allows an FPI to open a single Special Non-Resident Rupee (SNRR) account and a Foreign Currency account with the designated Authorised Dealer (AD) Category-I (Cat-I) bank, for the purpose of investment under the Portfolio Investment Scheme. Both the SNRR and the Foreign Currency accounts are non-interest-bearing accounts. An additional SNRR account is permitted for the purpose of investment in Debt under the Voluntary Retention Route.

Within the FEMA guidelines issued by the RBI, following transactions are permitted in the SNRR account of a SEBI-registered FPI:

- Credit of funds received via conversion from foreign currency account, sale proceeds of shares/ debentures/ bonds/ G-Secs, dividend, interest payments, etc.
- Debit for purchase of shares/ debentures/ bonds/ G-Secs, margin payments to the stock exchanges/ clearing members for securities and derivatives, and payment of brokerage fees associated with the trades, purchase of listed or to be listed units of REITs, InvITs and AIFs, repatriation of sale proceeds net of taxes
- FPIs are permitted to book foreign exchange deals (both inward as well as outward) through any AD Cat-I bank or its designated AD bank

12.2. Currency Hedging

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

- Foreign Exchange (FX) derivative contracts with rupee as one of the currencies
- Participation in the Currency Derivative segment of the stock exchanges

I. Foreign Exchange Derivative Contracts

i. Facilities Permitted for FPIs:

- To hedge currency risk on the market value of investment in equity and/ or debt in India as on a particular date i.e., hedge on contracted exposure
- To hedge anticipated exposure in India which is expected in future

ii. FPIs are permitted to execute FX derivative contracts with any AD Cat-I banks and Standalone Primary Dealers (SPDs) as per the following conditions:

- The derivative contract is for the purpose of hedging only
- Contracted exposure route:
 - The notional value and tenor of the derivative contract does not exceed the value and tenor of the exposure
 - The same exposure should not be hedged against any other derivative contract
 - In case the exposure ceases to exist in full or part, then the derivative contract needs to be adjusted to ensure it does not exceed the value of exposure or the original derivative contract to be assigned against any other unhedged exposure. No adjustment to the hedge is required

- if, in opinion of the AD, the change in exposure is not material
- If the value of the exposure falls below the notional value of the derivative owing to reduced market value of the portfolio, the hedge may be allowed to continue to the original maturity at the discretion of AD Category-I Bank
 - Derivative contracts can be freely cancelled and rebooked. Net gains on cancellation/ rebooking for contracts under contracted exposure route will be exchanged with the client. Net gains on contracts booked to hedge an anticipated exposure will be passed on to the client only at the time of the cash flow of the anticipated transaction. In case of part-delivery, net gains will be transferred on a pro-rata basis
 - All costs incidental to the hedge must be met out of repatriable funds and/ or inward remittance through normal banking channel
 - All outward remittances incidental to the hedge must be net of the applicable taxes

II. Currency Derivatives on Stock Exchange

Position Limits

Instrument Type	FPI Category-I (including long-term)	FPI Category-II (Individuals, Family Offices and Corporate Bodies)	FPI Category-II (Other than Individuals, Family Offices and Corporate Bodies)
Currency Derivatives (INR currency pairs) per Stock Exchange			
USD-INR	Gross open position across all contracts shall not exceed, higher of – 15% of the total Open Interest (OI), or – USD 100 million	Gross open position across all contracts shall not exceed, higher of – 6% of the total OI, or – USD 20 million	Gross open position across all contracts shall not exceed, higher of – 15% of the total OI, or – USD 100 million
EUR-INR	Gross open position across all contracts shall not exceed, higher of – 15% of the total OI, or – EUR 50 million	Gross open position across all contracts shall not exceed, higher of – 6% of the total OI, or – EUR 10 million	Gross open position across all contracts shall not exceed, higher of – 15% of the total OI, or – EUR 50 million
GBP-INR	Gross open position across all contracts shall not exceed, higher of – 15% of the total OI, or – GBP 50 million	Gross open position across all contracts shall not exceed, higher of – 6% of the total OI, or – GBP 10 million	Gross open position across all contracts shall not exceed, higher of – 15% of the total OI, or – GBP 50 million
Instrument Type	FPI Category-I (including long-term)	FPI Category-II (Individuals, Family Offices and Corporate Bodies)	FPI Category-II (Other than Individuals, Family Offices and Corporate Bodies)
JPY-INR	Gross open position across all contracts shall not exceed, higher of – 15% of the total OI, or – JPY 2,000 million	Gross open position across all contracts shall not exceed, higher of – 6% of the total OI, or – JPY 400 million	Gross open position across all contracts shall not exceed, higher of – 15% of the total OI, or – JPY 2,000 million
Currency Derivatives (cross currency pairs) per Stock Exchange			
EUR-USD	Gross open position across all contracts shall not exceed, higher of – 15% of the total OI, or – EUR/ GBP/ USD* 100 million	Gross open position across all contracts shall not exceed, higher of – 6% of the total OI, or – EUR/ GBP/ USD* 10 million	Gross open position across all contracts shall not exceed, higher of – 15% of the total OI, or – EUR/ GBP/ USD* 100 million
GBP-USD			
USD-JPY			
	*EUR for EUR-USD pair GBP for GBP-USD pair USD for USD-JPY pair	*EUR for EUR-USD pair GBP for GBP-USD pair USD for USD-JPY pair	*EUR for EUR-USD pair GBP for GBP-USD pair USD for USD-JPY pair

Notes to the limits' table:

- FPIs may take long or short positions up to a single limit of USD 100 million, or equivalent across all currency pairs involving INR put together and combined across all exchanges, without having to establish existence of underlying exposure to the AD Cat-I Bank
- FPIs cannot take cumulative short position across all currency pairs involving INR, across stock exchanges, beyond USD 100 million. Stock exchanges restrict the FPIs from increasing their existing short positions or creating new short positions in the currency pair until they comply with the capping requirements
- Long position beyond USD 100 million should have an underlying exposure to the extent of the value of the derivative contract and should be notified to AD Cat-I Bank
- Position limit linked to total open interest is applicable at the time of opening a position. Such position would not be required to be unwound in event of drop in total open interest at a stock exchange
- In such scenario, the eligible FPIs will not be allowed to increase their open positions, or create new position in the currency pair, till they comply with applicable limits

12.3. Inoperative Accounts

An account is labelled inoperative if no client-initiated transactions occur in their account over a two-year period. This move is intended to keep the banking system dynamic and responsive to customer needs. Prior to initiating any transaction in an inoperative account, the KYC needs to be updated.

For accounts inactive for 10 years or more, banks must transfer the credit balance to the Depositor Education and Awareness Fund Scheme, overseen by the RBI. This fund aims to educate and raise awareness among depositors about various banking practices and financial literacy.

13

Tax Aspects

13.1. Tax Regime in India for Foreign Portfolio Investors

The Department of Revenue under the Ministry of Finance, Government of India is the nodal agency responsible for all matters relating to levy and collection of direct and indirect taxes. The Department formulates the tax policy and operates through two statutory boards, viz. the Central Board of Direct Taxes (CBDT) and the Central Board of Indirect Taxes and Customs (CBIC).

Foreign investors must pay the applicable taxes, or set aside the necessary funds, to meet their tax liabilities before conversion to foreign currency/ remittance. Where there is no remittance out of India, advance tax must be paid within specified timelines.

Foreign investors are required to appoint a Chartered Accountant (CPA)/ Tax Consultant in India, to provide necessary assistance related to tax matters including computation of tax liabilities. Foreign investors are required to obtain a tax ID called Permanent Account Number (PAN). Application for PAN forms a part of the Common Application Form (CAF).

Key taxes payable by foreign investors in relation to Capital Market:

- Withholding Tax
- Capital Gains Tax
- Securities Transaction Tax

13.1.1. Withholding Tax (WHT)

A tax obligation on the payer to withhold tax at the time of making payment under specified heads. Foreign investors are subject to WHT in terms of their interest income on debt securities and dividend income on equity securities held in India.

I. Taxation of Interest:

WHT on interest income from debt securities held in India will be as per the prevailing tax rates notified by Government (currently at 20% plus applicable surcharge and cess) OR at the tax rate as per applicable tax treaty i.e., under the Double Taxation Avoidance Agreement (DTAA) between India and the domicile country of the foreign investor, whichever is lesser/ favourable.

II. Taxation of Dividend:

- Dividends are taxable in hands of shareholder/ dividend recipient
- Deduction of tax on dividend income is at a lower treaty rate for FPIs (currently at the rate of 20% plus applicable surcharge and cess)

13.1.2. Capital Gains Tax

Taxation of Gains on Sale of Securities: Any gain/ profit arising from transactions in securities will be treated as capital gains.

Based on the holding period of listed securities, any gain/profit earned shall be regarded as:

- ‘Short-term’ capital gain, for securities held for less than 12 months; and
- ‘Long-term’ capital gain, for securities held for more than 12 months

A foreign investor is liable to pay tax on the profit earned on sale of securities in India at the prevailing rates or can avail DTAA provisions if applicable (subject to GAAR and MLI provisions).

13.1.3. Securities Transaction Tax (STT)

STT is levied on every purchase or sale of securities that are listed on the Indian stock exchanges. This includes shares, derivatives, and units of equity-oriented mutual funds.

Securities Transaction Tax

Transaction	STT Rates w.e.f. October 1, 2024	Payable by
Purchase/ Sale of equity shares (Delivery-based)	0.1%	Purchaser/ Seller
Sale of units of equity-oriented mutual funds (Delivery-based)	0.001%	Seller
Sale of equity shares or units of equity-oriented mutual funds (Contract is settled otherwise than by the actual delivery)	0.025%	Seller
Sale of an option in securities	0.1%	Seller
Sale of an option in securities, where the option is exercised	0.125%	Purchaser
Sale of futures in securities	0.02%	Seller

13.1.4. Tax Rates

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

Current Applicable Tax Regime for FPIs Investing in India

Assessment Year: 2025 - 2026

Financial Year: April 1, 2024 to March 31, 2025

Tax Rates (Inclusive of Surcharge and Education Cess)

Corporate FPIs

Nature of Income	Net Taxable Income		
	Up to INR 10 million	Exceeding INR 10 million, up to INR 100 million	Exceeding INR 100 million
Dividends and other income	20.8%	21.216%	21.84%
Interest income on government securities, qualifying corporate bonds and municipal bonds*	20.8%	21.216%	21.84%

Capital Gains on Listed Equity Shares/ Equity-Oriented Mutual Funds/ Units of Business Trust where STT is Applicable			
Short-term capital gains	20.8%	21.216%	21.84%
Long-term capital gains for trades executed until July 22, 2024**	10.4%	10.608%	10.92%
Long-term capital gains for trades executed w.e.f. July 23, 2024 **	13%	13.26%	13.65%
Capital Gains on Transfer of Other Securities (including Derivatives and Debt Mutual Funds) where STT is Not Applicable			
Short-term capital gains	31.2%	31.824%	32.76%
Long-term capital gains	10.4%	10.608%	10.92%

* 5% (plus surcharge and cess) tax rate applicable if certain conditions fulfilled

** Grandfathering benefits available in case the securities are purchased before February 1, 2018

Non-Corporate FPIs

Nature of Income	Net Taxable Income				
	Up to INR 5 million	Exceeding INR 5 million, up to INR 10 million	Exceeding INR 10 million, up to INR 20 million	Exceeding INR 20 million, up to INR 50 million	Exceeding INR 50 million
Dividends and other income	20.8%	22.88%	23.92%	23.92%	23.92%
Interest income on government securities, qualifying corporate bonds and municipal bonds*	20.8%	22.88%	23.92%	26%	28.496%
Capital Gains on Listed Equity Shares/ Equity-Oriented Mutual Funds/ Units of Business Trust where STT is Applicable					
Short-term capital gains	20.8%	22.88%	23.92%	23.92%	23.92%
Long-term capital gains for trades executed until July 22, 2024**	10.4%	11.44%	11.96%	11.96%	11.96%
Long-term capital gains for trades executed w.e.f. July 23, 2024**	13%	14.3%	14.95%	14.95%	14.95%
Capital Gains on Transfer of Other Securities (including Derivatives and Debt Mutual Funds) where STT is Not Applicable					
Short-term capital gains	31.2%	34.32%	35.88%	35.88%	35.88%
Long-term capital gains	10.4%	11.44%	11.96%	11.96%	11.96%

* 5% (plus surcharge and cess) tax rate applicable if certain conditions fulfilled

** Grandfathering benefits available in case the securities are purchased before February 1, 2018

13.1.5. Advance Tax

The tax liabilities on capital gains or any other tax liability have to be discharged before repatriation of funds, or within the applicable quarterly advance tax payment deadline, whichever is earlier. The tax thus paid is adjusted against the total tax assessable for the respective assessment year. Liability to pay advance tax arises when the tax payable is INR 10,000 or more.

Advance tax payments must be made as per below schedule:

Due Date	Advance Tax Payable on (estimated) Tax Liability
By June 15	15%
By September 15	45%
By December 15	75%
By March 15	100%
By March 31 (for 15 days from March 15 to March 31)	100% Tax on Income (Capital Gains and Dividend/ Interest)

- Taxes are calculated based on traded positions; all trades executed up to, and including, the deadlines specified above to be included in the calculation
- Taxes not paid in accordance with the above schedule at the end of the financial year (March 31), will be subject to interest at the rate of 1% per month on such deficiency

13.1.6. Filing Tax Returns

The due dates for filing income tax returns for a financial year are:

Taxpayer Type	Filing Due Date
Non-corporates	Before July 31st of the following financial year
Corporates	Before October 31st of the following financial year

If the returns are not filed on or before the due date, interest at the rate of 1% per month (or part of the month) will be charged on the difference of tax payable, the advance tax and tax deducted at source (TDS); interest will be charged till the Return of Income for the relevant financial year is filed.

13.2. Double Tax Avoidance

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

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

13.3. Minimum Alternate Tax (MAT)

Companies are required to pay a fixed percentage of their 'book profits' as Minimum Alternate Tax (MAT). MAT provisions are not applicable if the foreign company is resident of a DTAA treaty country and does not have permanent establishment/ place of business in India.

13.4. General Anti-Avoidance Rule (GAAR)

The General Anti-Avoidance Rule applies prospectively to transfer of investments made on or after April 1, 2017, or on any tax benefits availed on or after April 1, 2017, irrespective of the date of arrangement, when GAAR was implemented.

The CBDT has issued a set of FAQs to clarify implementation of GAAR. The FAQs can be accessed using the following link:
http://www.incometaxindia.gov.in/communications/circular/circular7_2017.pdf

In 2019, The Multilateral Instrument (MLI) came into force for India, and its provisions have come into effect from April 1, 2020 for the covered nations. Under the MLI, Principal Purpose Test (PPT) is a minimum standard for the treaty benefits to apply.

13.5. Stamp Duty

Indian Stamp (Collection of Stamp Duty through Stock Exchanges, Clearing Corporations and Depositories) Rules, 2019 ('Stamp Duty Collection Rules'), requires Stock Exchanges/ Clearing Corporations and Depositories to collect stamp duty on securities transactions, and to further pay to the respective state governments. Clearing Corporation of India Limited (CCIL) and RTAs (Registrar to an Issue and Share Transfer Agent) have been designated as depositories for this purpose, to act as stamp duty collecting agents.

Stamp Duty on Stock Exchange Transactions

Type of Security	Segment	Stamp Duty Rate	Payable By
Transfer of securities other than debentures – Delivery-basis	Equity	0.015%	Buyer
Transfer of debentures	Equity and Debt	0.0001%	Buyer
Transfer of corporate bonds, securitised debt, commercial papers and certificate of deposits	CBRICS/ ICDM Platform	0.0001%**	Buyer
Repo transaction	CBRICS/ ICDM Platform	0.00001%*	Borrower (Buyer of the forward leg)
Tri-party repo on corporate bonds	Debt	0.00001%*	Buyer
Issue of debentures	Electronic Book Provider (EBP)	0.005%	Issuer
Tender - offers for takeover, buy back, delisting of securities	Equity	0.015%	Offeror (Seller)
Offer for sale	Equity	0.015%	Offeror (Seller)
Derivatives – Equity futures	Equity Derivatives	0.002%	Buyer
Derivatives – Equity options	Equity Derivatives	0.003%	Buyer
Transfer of security, other than debentures – Delivery-basis (Physical settlement of derivatives)	Equity Derivatives	0.015%	Receiver
Currency and interest rate derivatives	Currency/ Interest Rate Derivatives	0.0001%	Buyer
Commodity futures	Commodity Derivatives	0.002%	Buyer

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

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

Notes:

- Stamp duty is not applicable on transactions in Securities Lending and Borrowing Scheme (SLBS), except in case of shortages in reverse leg, where stamp duty will be payable by short-delivering member
- Stamp duty is not levied on G-Sec transactions

- Stamp duty will be specified in the 'brokerage' field and will be part of the broker's contract note for the buy transaction; the funds will be remitted to the CCP on the settlement date for further payment to CCIL

Stamp Duty on Off-Market Transactions

Type of Security	Stamp Duty Rate	Payable By
Transfer of debentures	0.0001%	Seller/ transferor/ pledgee
Transfer of securities, other than debentures – Delivery-based	0.015%	Seller/ transferor/ pledgee

Notes:

- Stamp duty will be calculated on the 'Consideration Amount' specified in the off-market transaction instruction/ Invocation Value in case of pledge invocation instruction received from clients
- For all off-market transfers of securities with reason codes 'Sales' and 'Commercial Paper issuance', the stamp duty should be paid upfront to the depository by the client through their custodian, i.e., prior to input of the sell transaction by the client's custodian or the depository platform for transfer of securities
- Stamp duty can be paid either through the custodian or directly, at the discretion of payer

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

SEBI has instructed Designated Depository Participants (DDPs) to carry out due diligence, for FPIs, related to FATCA/ CRS requirements, before granting the SEBI FPI registration.

13.6.1. FATCA

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

13.6.2. CRS

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

13.7. Goods and Services Tax (GST)

The GST regime became effective July 1, 2017 onwards, replacing the Excise Duty, Service Tax, and Sales Tax, among various other indirect taxes then prevalent in India. GST consists of Central Goods and Services Tax (CGST), State Goods and Services Tax (SGST), Integrated Goods and Services Tax (IGST) and Union Territory Goods and Services Tax (UTGST). This is necessitated by the federal structure of governance in India which requires all the intra-state supply of goods or services to be charged CGST for Central Government and SGST for State Government. Any inter-state supply of goods or services is chargeable to IGST.

A set of FAQs issued by the Government of India has been disseminated via the website of [Press Information Bureau \(PIB\)](#) dated August 3, 2016. It provides information on the provisions of the GST Bill and its economic benefits.

Further, all Market Infrastructure Institutions, listed companies or those intending to list their securities, and persons dealing in the securities market, are subject to GST on fees and other charges payable to SEBI at the rate of 18%.

13.8. Onshoring Fund Management to India

The Income Tax Act was amended to enable onshoring of fund management to India by the Finance Act, 2015. This encapsulates safe harbour provisions. The fund management activity carried on through an 'Eligible Fund Manager' (EFM) located in India, for an 'Eligible Investment Fund' (EIF) would not constitute as business connection in India, and therefore not lead to tax residence in India. These benefits are available, subject to compliance with certain conditions. The Income Tax Act requires that the fund is a resident of a country or a specified territory with which an agreement has been entered into or notified by the Government of India.

List of such countries/ territories, whose resident funds would be able to qualify as EIF can be accessed using the following link:

<https://egazette.gov.in/WriteReadData/2017/177815.pdf>

13.9. Taxation for Indirect Transfer

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

- The provisions would be applicable upon breach of the stated threshold, subject to exemption provided for small investors:
 - Master Feeder Fund structures
 - Nominee-Distributor Fund structures
 - India-focused Sub-funds and listed funds
- Other provisions in the Income Tax laws such as withholding obligation on the payer apply as per law
- The provisions apply to investors at the time of merger of offshore funds and internal restructuring of such funds
- The application of provisions is subject to exemptions provided in the Income Tax Act

Category-I FPIs are exempt from Indirect Transfer provisions. Indirect Transfer provisions shall not apply in case of redemption of shares or interests outside India as a result of, or arising out of, redemption or sale of investment in India which is chargeable to tax in India.

14

Securities Lending and Borrowing

14.1. Overview

In India, Securities Lending and Borrowing (SLB) is offered on the exchange platform. FPIs are permitted to lend and borrow securities through the SLB segment offered by the exchanges. Naked short selling is not permitted in the Indian securities market, and investors are required to mandatorily honour their obligations of delivering the securities at the time of settlement.

NSE Clearing Limited (NCL) and the Indian Clearing Corporation Limited (ICCL) (the Clearing Corporations) are the Approved Intermediaries (AI) for SLB transactions.

The borrowers and lenders execute trades through SLB participants like the brokers/ clearing members on the SLB platform of the AIs. The clearing and settlement of SLB trades is facilitated by designated custodians for institutional investors.

Some salient features of SLB segment are:

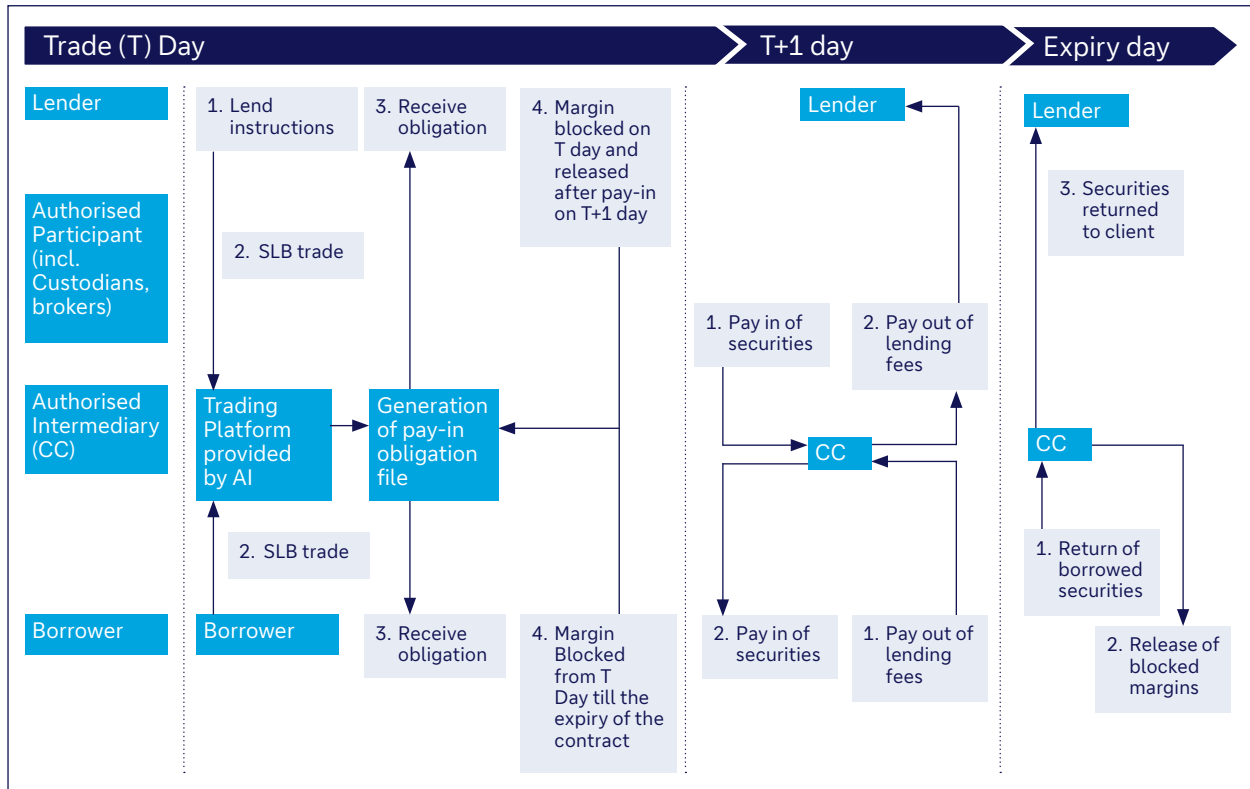
- Automated trading on AI-provided screen-based order matching platforms with matching of trades based on price-time priority
- Clearing Corporations act as counterparties to every trade, and settlement is guaranteed
- All Trading/ Clearing Members as well as Banks and Custodians are eligible to participate in the SLB segment, subject to fulfilment of the eligibility criteria and other conditions as specified by SEBI and the Clearing Corporations from time to time
- Early Recall and Early Repay facilities are available
- Lenders retain all the ownership rights of the lent security and continue to receive the benefits of corporate actions
- Borrowing of equity shares by FPIs is permitted for the sole purpose of delivery into a short sale
- The tenure of SLB contracts are of monthly series with contracts ranging from one month to a maximum period of 12 months; with the AIs having the flexibility to decide the tenure of the contracts

14.2. Collateral Management and Settlement Obligation

A participant is required to deposit liquid assets for transacting in the SLB segment. Eligible participants can deposit liquid assets in the form of cash and cash equivalent i.e. bank guarantees, fixed deposit receipts of scheduled commercial banks, units of liquid funds/ funds investing in G-Secs, G-Secs and T Bills, shares of constituent indices (from the types of eligible securities) and any other forms of liquid assets as may be prescribed by the Clearing Corporations from time to time.

The margins need to be placed prior to the order execution, and they are based on the value of underlying securities.

14.3. SLB Transaction Execution Flow



14.3.1. Items to be Secured by Collateral

The contract value (i.e., value of the securities borrowed) + fees paid for the SLB trade must be secured by collateral*.

Type of Transaction	Obligation	Payable by	Mode	When	Return
SLB Settlement Obligation	SLB fees payable to NCL/ ICCL NCL/ ICCL will transfer the SLB fees to the lender on T+1	Borrower	Lending fee payable in cash	T	T+1
Margins					
Borrow Margin	100% of lending fees + value of the trade	Borrower	Payable in cash or cash equivalents like bank guarantees, fixed deposits or securities specified by NCL/ ICCL. However, FPIs must pay margins in cash only	T	T+1

Type of Transaction	Obligation	Payable by	Mode	When	Return
Margins					
Borrow Margin	100% of value of the trade – Value at Risk Margins – Extreme Loss Margins – Mark-to-Market (MTM) Margins – Lending price as may be specified by NCL/ ICCL	Borrower	Payable in cash or cash equivalents like bank guarantees, fixed deposits or securities specified by NCL/ ICCL. However, FPIs must pay margins in cash only	T+1	Upon return of securities
Lend Margin	Fixed percentage (25%) of the lending price as may be specified by NCL/ ICCL	Lender	Payable in cash or cash equivalents like bank guarantees, fixed deposits or securities specified by NCL/ ICCL. However, FPIs must pay margins in cash only. Early pay-in of securities permitted to avoid margin payment	T	Pay-in

* Contract value = closing price (or market price) of the previous day X quantity of the shares borrowed/ lent

- In case of successful early repayment requests, no margins shall be levied on the participant
- In case of early recall transactions, the lending fee shall be levied as upfront margin

14.4. Rollover Facility and Expansion of Eligible Securities

The Securities and Exchange Board of India (SEBI) modified the SLB framework by introducing the following :

- Roll-over facility:
 - Lenders/ Borrowers are permitted to roll-over their positions. Under this facility, a lender who is due to receive the securities in the pay-out of an SLB session may extend the period of lending. Similarly, a borrower who must return the borrowed securities in the pay-in of an SLB session, may through the same SLB session, extend the period of borrowing
 - The roll-over shall be conducted as part of the SLB session
 - Netting between the borrowed and lent position is not permitted for roll-over
- The list of eligible securities in SLB segment includes:
 - Securities traded in the derivatives segment
 - Securities having Market-wide Position Limit (MWPL) \geq INR 1 billion and average monthly trading turnover \geq INR 1 billion in the previous six months
 - Liquid index which has traded on at least 80% of the days over the past six months and its impact cost over the past six months is \leq INR 1 billion
 - The list of securities eligible to be traded in the SLB segment for the subsequent month is published by both NCL/ ICCL on the last working day of every month

14.5. Termination of Transaction

14.5.1. Termination at Maturity

Borrowed securities are to be returned at the end of the stock lending period.

14.5.2. Early Recall

The lender can recall securities on loan at any time.

14.5.3. Early Return

- The borrower can return the securities on loan at any time before the maturity date of the transaction
- The borrower can make an early pay-in of the securities to avoid paying MTM margin to NCL/ ICCL

14.5.4. Defaults by the Borrower/ Lender

First Leg: In the event of funds shortage by the borrower, the SLB transaction shall be cancelled, and securities shall be returned to the lender along with lending fees. In cases where the lender fails to deliver the securities, the transaction shall be closed out at higher of the following rates or as may be decided by the Clearing Corporation from time to time:

- 25% of the closing price of the security on T+1 day (closing price for the security in the capital market segment of NCL/ ICCL), or
- The highest rate of the security from the trading day to T+1 day minus T+1 day closing price of the security

Return Leg: In the event the borrower fails to return the securities, the Clearing Corporation shall conduct a buy-in auction in the equity segment. In case of non-availability of securities/ failure to give delivery for offer in auction on the settlement date, the transaction is closed out as per the below procedure.

If the security cannot be bought through the buy-in auction, the transaction is closed out as per the below procedure.

Higher of:

- 25% above the closing price of the security in the capital market segment on the T+1 day or
- Maximum traded price in the capital market segment of NCL/ ICCL from T day to T+1 day – (T+1 day closing price of the security in the capital market segment of ICCL/ NCL)

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

14.6. Corporate Actions

The following adjustments have been provided for corporate actions during the SLB tenure:

- **Dividend:** The dividend amount shall be collected from the borrower on the book closure/ record date and passed on to the lender on the subsequent working day
- **Stock Split:** The open position would be proportionately adjusted for the revised quantity based on the ratio as on ex-date and the lender will receive the revised quantity on the reverse leg settlement date

In case of only AGM/ EGM, depending upon the series of contracts, foreclosure shall be applicable.

Other corporate actions such as bonus/ merger/ amalgamation/ open offer, etc.: In case of other corporate actions such as bonus/ merger/ amalgamation/ open offer etc., the transactions shall be foreclosed on the ex-date, and there would be no trading activity allowed on them one working day prior to the ex-date. The lending fee would be recovered on a pro-rata basis from the lender and returned to the borrower.

Shut Period: For all corporate actions declared on the eligible securities, the clearing corporations will intimate the shut period from time to time.

14.7. Position Limits (in Number of Shares)

The transactions done in the SLB segment are subject to positions limits as may be specified by SEBI/ Clearing Corporations/ Exchanges from time to time. These limits are monitored by the clearing corporations and attract penal action in case of any violations.

Position limits shall be as under:

- The market-wide position limit in terms of the numbers of shares for SLB transactions shall be 10% of the free-float capital of the company
- No participant/ clearing member shall have an open position of more than 10% of the MWPL or INR 0.5 billion, whichever is lower. The position limit for an FPI client is the same as that of the participant
- The client-level position limit shall not be more than 1% of the MWPL

All the applicable position limits are computed on the last trading day of every month, which will be applicable for the subsequent month.

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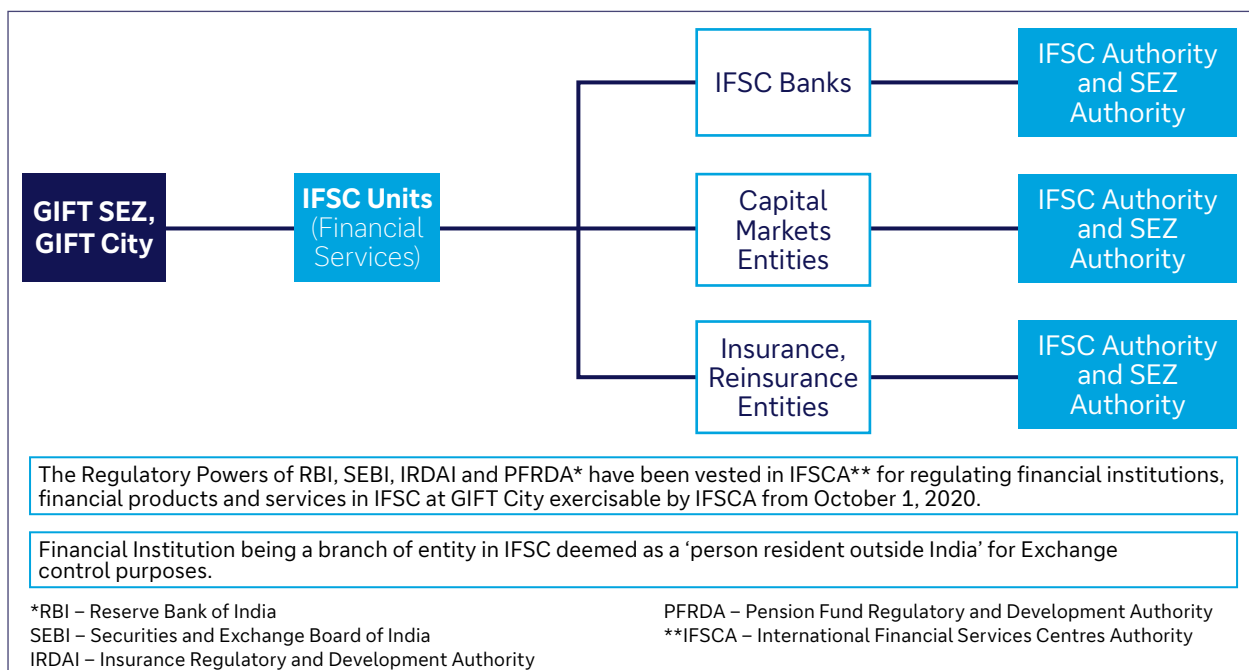
Gujarat International Finance Tec-City (GIFT)

15.1. Background

GIFT is developed as a global financial and IT services hub, a first of its kind in India, designed to be at, or above, par with a globally benchmarked International Financial Centre (IFC). This International Financial Services Centre (IFSC) unit is treated as an offshore jurisdiction/ foreign territory established under Special Economic Zone (SEZ) Act, 2005, and provides financial services to non-residents and residents. The IFSC in GIFT City seeks to bring those business segments to Indian shores, that are currently carried-on outside India by overseas financial institutions and overseas branches/ subsidiaries of Indian financial institutions. For all practical purposes GIFT City is to have the same ecosystem as their present offshore location, while being physically present on the Indian soil.

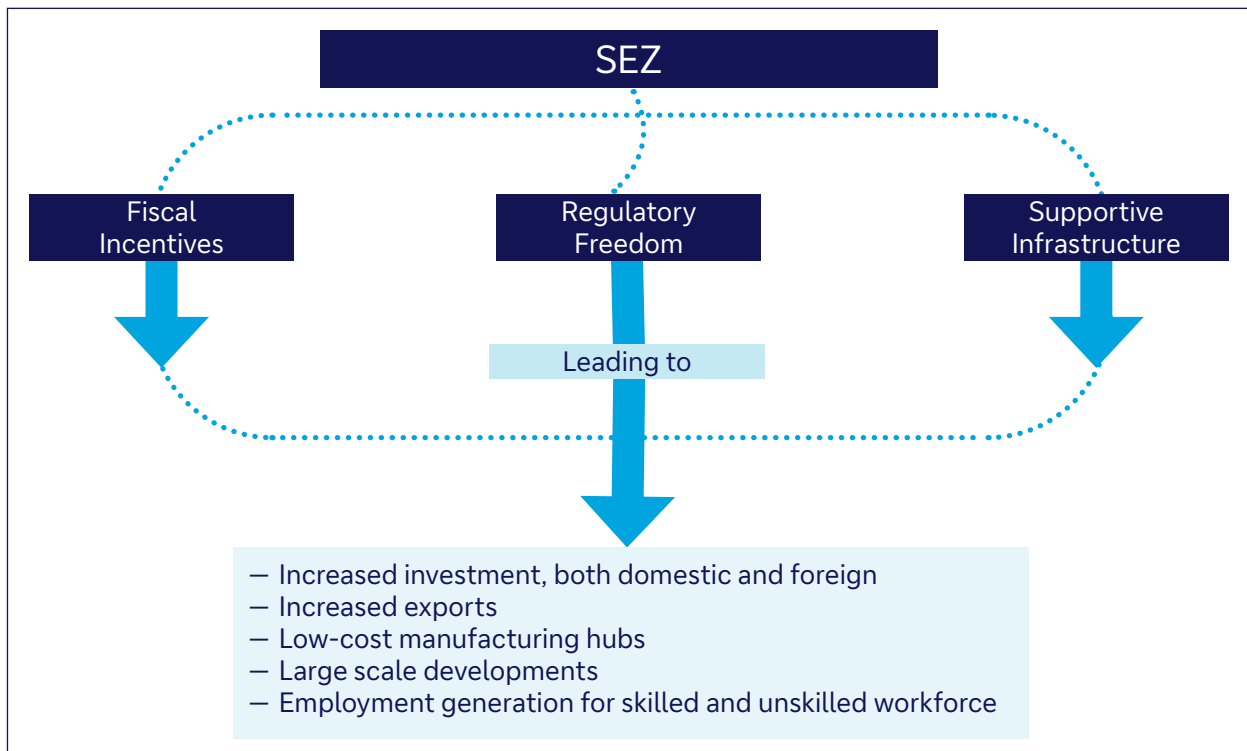
Regulatory Authority: GIFT – IFSC is regulated by International Financial Services Centres Authority (IFSCA). IFSCA is the unified authority for the development and regulation of financial products, financial services and financial institutions in the IFSC. IFSCA was established on April 27, 2020 under the International Financial Services Centres Authority Act, 2019 and is headquartered at GIFT City, Gujarat. The main objective of IFSCA is to develop a strong global connect and focus on the needs of the Indian economy and enable the IFSC to serve as an international financial platform for the entire region and the global economy.

The pictorial representation of the regulatory framework at GIFT SEZ and IFSC is depicted below:



Source: GIFT SEZ

Business Structure at IFSC



Source: GIFT SEZ

15.2. GIFT-IFSC Ecosystem

Particulars	Details
Regulator	The International Financial Services Centres Authority (IFSCA)
Regulations	The regulatory framework for facilitating and regulating financial services relating to securities market in an IFSC are primarily governed by below mentioned Acts, and any rules/ regulations/ guidelines or circulars issued thereunder: <ul style="list-style-type: none"> – Special Economic Zones Act, 2005 – International Financial Services Centres Authority Act, 2019 – IFSCA (Banking) Regulations, 2020 – IFSCA (Market Infrastructure Institutions) Regulations, 2021 – IFSCA (Bullion Exchange) Regulations, 2020 – IFSCA (Fund Management) Regulations, 2022 – IFSCA (Capital Market Intermediaries) Regulations, 2021 – IFSCA (Issuance and Listing of Securities) Regulations, 2021
Stock exchanges/ Trading platforms	<ul style="list-style-type: none"> – NSE (National Stock Exchange) IFSC Limited (NSE IX) – India International Exchange (IFSC) Limited (India INX) – India International Bullion Exchange IFSC Limited (IIBX)
Central counterparties	<ul style="list-style-type: none"> – NSE IFSC Clearing Corporation Limited (NICCL) – India International Clearing Corporation (IFSC) Limited (India ICC) also the clearing member for IIBX
Depositories	– India International Depository IFSC Limited (IIDI)
Market participants	Brokers, custodians, designated depository participants, fund management entities, AIFs, domestic asset management companies, debenture trustees, insurance companies, banks, bullion intermediaries, etc.
Market turnover	<ul style="list-style-type: none"> – NSE IFSC: USD 3,986 million (As on August 29, 2024) – India INX: USD 197 million (As on August 29, 2024)

Securities identifier	Securities are identified by the International Securities Identification Number (ISIN) – the standard code for identifying the securities held in a depository account
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15.2.1. Products Currently Being Offered by the Stock Exchanges in IFSC

Between NSE IFSC and India INX, following products are currently being offered in GIFT IFSC:

Particulars	Details
Index derivatives	<ul style="list-style-type: none"> – SENSEX, SENSEX 50 – NIFTY 50, NIFTY IT Index, FIN NIFTY Index, NIFTY Bank Index
Debt	<ul style="list-style-type: none"> – Foreign currency bonds – Masala bonds (INR-denominated bonds issued offshore) – Green/ Social/ Sustainable bonds
Equity derivatives	<ul style="list-style-type: none"> – Indian single-stock derivatives
Commodity derivatives	<ul style="list-style-type: none"> – Precious metals – Base metals – Energy
Currency derivatives – Global currency derivatives – Rupee derivatives	<ul style="list-style-type: none"> – EUR/ USD – GBP/ USD – JPY/ USD – CHF/ USD – AUD/ USD – INR/ USD – USD/ INR
Depository Receipts	

15.2.2. Account Structure and Currency Details

Particulars	Details
Account structure	Segregated nominee account structure is permitted in IFSC. Orders of foreign investors may be routed through eligible segregated nominee account providers (Providers) for trading on stock exchanges in IFSC
Currency permitted for settlement	The settlement of all the contracts traded in the stock exchanges in IFSC would be in USD

15.3. Tax Framework in the GIFT-IFSC

- Minimum Alternate Tax (MAT): 9% for IFSC units (not applicable to companies opting for the new income tax regime) (rates subject to changes)
- Securities Transaction Tax (STT): NIL
- Commodity Transaction Tax and: NIL
- Stamp duty: NIL
- Dividend Distribution Tax (DDT): NIL
- Long-Term Capital Gain (LTCG): NIL
- Tax holiday for 10 consecutive years out of the block of 15 years (with respect to business income)
- Tax on capital gains on specified securities (including retail schemes and Exchange Traded Funds) listed on IFSC exchanges by a non-resident or Category-III AIF located in IFSC: NIL (Gains accruing not chargeable to tax in India)
- No surcharge rate, on interest and dividend income for Specified Funds set-up in IFSC (irrespective of legal form)
- GST on services (a) received by units in IFSC; and (b) provided to IFSC/ SEZ units or offshore clients: NIL
- Tax on interest paid by IFSC units to non-residents: NIL

- Tax on interest paid to non-resident on long-term bonds and INR-denominated bonds listed on IFSC exchange: 4% (rates subject to changes)

15.3.1. Exempted Transactions

Transfer of the securities, mentioned below, by a non-resident on a recognised stock exchange in IFSC, has been exempted from Capital Gains Tax, provided the consideration for such transfer is in foreign currency.

- Bonds or Global Depository Receipt
- INR-denominated bonds of an Indian company
- Derivatives
- Foreign currency denominated bonds
- Units of a mutual fund
- Units of a business trust
- Foreign currency denominated equity shares of a company
- Units of an Alternative Investment Fund (AIF)
- Bullion Depository Receipts (BDRs) with underlying bullion
- Units of investment trusts, viz., units of a Real Estate Investment Trust (REIT) or Infrastructure Investment Trust (InvIT)
- Units of a scheme of a fund launched by a fund management entity registered with the IFSCA
- Units of an Exchange Traded Fund launched under IFSCA (Fund Management) Regulations, 2022
- Tax exemptions provided on certain income of some IFSC units, as also to sovereign wealth funds/ pension funds, which were set to expire on March 31, 2024, proposed to be extended up to March 31, 2025

15.3.2. Tax Exemption for Relocation of Foreign Funds to IFSC

A comprehensive tax exemption is proposed for relocation of offshore funds to the IFSC (i.e., relocation of 'original fund' to the 'resultant fund').

The key aspects to be noted in this regard are:

- An FPI ('original fund' or its wholly-owned special purpose vehicle) may approach its DDP for approval of a one-time 'off-market' transfer of its securities to the 'resultant fund', where they will be deemed to have applied for surrender of its registration. DDP may be guided by the guidelines pertaining to surrender of FPI registration and allow the off-market transfer without prejudice to any provisions of tax laws and FEMA
- Tax exemption is available for shareholder/ unitholder/ interest-holder of foreign funds relocating to IFSC as Category-III Alternative Investment Fund. Exemption is available on transfer of shares/ units/ interest in the foreign fund, in exchange for shares/ units/ interest of the Category-III AIF in IFSC

The pre-conditions, in addition to extant conditions specified in the Income Tax Act, 1961 are:

- The original foreign fund must not have an investor, person resident in India, in aggregate holding more than 5% of its corpus at the time of transfer of its assets to the fund in IFSC. The condition is in addition to other conditions specified in Section 47(viia) and 47(viib) of the Income Tax Act, 1961, and is applicable to all foreign funds relocating to IFSC
- The period of tax benefits to funds relocating to IFSC, GIFT City have been extended till March 31, 2025

Tax Disclaimer: Deutsche Bank does not provide any tax advisory services and clients are requested to consult their tax consultants on the applicable taxation laws, and its compliance, in India. Please consult and be guided by your tax consultant for all tax related matters.

15.4. Other Concessions to Entities Located/ Relocating in IFSC

Entities based in the IFSC and regulated by the IFSCA, and registering as FPI in mainland India, can accept aggregate contribution from Non-Resident Indians (NRIs), Overseas Citizens of India (OCIs) and Resident Indian (RI) individuals up to 100% of the total corpus of the FPI, subject to below conditions:

- i. All contributions to the FPI are required to be pooled into a single investment vehicle at IFSC, that takes registration as an FPI with SEBI, with no side-vehicles
- ii. All investors in the FPI have pari-passu and pro-rata rights in the FPI. Issuance of separate class of units by such FPI is permitted only for the purpose of segregation of currency of contribution, but must be pari-passu and pro-rata in all respects, post conversion to a common currency
- iii. Diversification of investments and investors:
 - A maximum of 20% of the FPI's corpus can be invested in equity shares of a listed Indian entity
 - FPI should have a minimum of 20 investors at every point of time, where each investor's contribution does not exceed 25% of FPI's corpus
- iv. Compliance timelines: Applicants not complying with this condition (point 3) at the time of registration as FPI must ensure compliance within three months from the date of registration. Any passive breach of the conditions after the initial three months of registration must be rectified within three months of such breach. Active breaches (i.e., breaches caused by a market action of the FPI as opposed to price movement in the market) are considered a violation and dealt with as per extant provisions of the FPI Regulations
- v. The Investment Manager (IM)/ Fund Manager (FM) of the FPI should exercise complete independence in the investment decisions of the FPI. Further, only an Asset Management Company of a Mutual Fund registered with SEBI and sponsored by a Bank regulated by the RBI, or its IFSC-based subsidiary/ branch, can be the IM/ FM of the FPI
- vi. The above requirements must be fulfilled by the FPI irrespective of the actual aggregate contribution of NRIs/ OCIs/ RI individuals in the corpus of the FPI

FPIs with up to 100% aggregate contribution from NRIs OCIs and RIs, and holding more than 33% of their Indian equity Assets Under Management (AUM) in a single Indian corporate group are required to submit granular details as per the prescribed framework.

SEBI has also permitted off-market transfer of securities by FPIs for relocating to IFSC from other jurisdictions, as per guidelines. Such FPIs, seeking to operate in IFSC, can do so without undergoing any additional documentation or prior approval process, however they are required to ensure clear segregation of funds and securities. These FPIs need to keep their respective custodians informed about their participation in IFSC, and the Custodians need to monitor compliance of this provision for their respective FPI clients. Tax exemptions for foreign funds relocating to IFSC are mentioned in section 14.3.2.

Industry Perspective

Indian Market Still Has Growth Potential



Sundeep Sikka

Executive Director & Chief Executive Officer,
Nippon Life India Asset Management Limited

Investments in equities are not just about companies and their businesses. A considerable amount of success in investments is tightly linked to geography of companies in which one invests. In this context, the Indian stock markets offer attractive ideas which are likely to grow and blossom and create value for investors to a great extent.

Today, a large number of investors in the Indian equity markets can be divided into two categories. One is investors who believe that it is easy to make money in Indian equities almost every day. And the second is investors who are worried about an impending correction and are in two minds about increasing their investments in the Indian equity markets. Though these two categories of investors differ in terms of approach, there is a common aspect in them. They are too focused on the short-term. The former believes in making money everyday ignoring the long-term growth opportunity. And the latter is also ignoring the long-term growth opportunity fearing a possible bout of volatility in the Indian equities.

However, the conventional wisdom says the fact lies somewhere else. The attractiveness of the Indian markets becomes abundantly clear when one compares the Indian markets with the situation in global markets. Globally, economies are slowing down and interest rates are being cut to revive growth. But the Indian economy is on a strong footing. Corporate India is on the growth path. Balance sheets of most companies in India are healthy and the policies of the Indian government to a large extent are pro-growth. Importantly, India's growth story has been comprehensive enough. Today, Indian companies of all sizes across sectors are exhibiting growth.

These facts call for a serious reflection on the part of domestic investors and provide a strong and convincing basis for sustained investments in the Indian equity markets.

Sowing Seeds of Growth

Today, relatively speaking, there is not much uncertainty about the Indian government's approach in unleashing policies which provide a favourable business environment. Structural policy reforms like the GST, Insolvency and Bankruptcy Code 2016, RERA, PLI, Make in India, reduction in Corporate Tax Rate, thrust on Digital India, GatiShakti, National Infrastructure Pipeline and National Monetisation Pipeline etc., have created an environment for strong growth in the long-term. The government is implementing these policies with a clear focus on growth.

A stable government in the centre is a big positive, especially when we see civic unrest and war-like situations impacting the economic growth of many countries.

The Union Budget 2024 was yet another step in the direction of creating avenues to improve growth. It has covered all key things without becoming too much focus on populism. The government's capex-led growth model is expected to have a far-reaching and healthy impact on the economy. The government allocated Rs 11.11 lakh crore to the capital expenditure (capex) outlay, which is 3.4% of the GDP compared to 3.2% in the previous year. The Union Budget also provided targeted incentives to a few select sectors. The government is also implementing a 'green' mission for sustainable growth by providing enough in the Budget. The government has also provided adequate funds for growth of rural India.

The government has achieved this spending without compromising on fiscal prudence. It aims to reduce its fiscal deficit to 4.9% of the GDP for FY25 compared to 5.1% targeted in the interim budget. Also, it proposes to cut gross borrowings to Rs 14.01 trillion in FY2025 lower than Rs 14.13 trillion mentioned in the interim budget. In the previous year, the gross borrowings stood at Rs 15.43 crore.

New Doors, More Glories

With these facts in mind, one has to look at the idea of investing in the Indian markets. This idea makes great sense given the long-term benefits of India's growth story.

One of the goals which most experts and specialists are keenly observing is India's aim to become a developed nation by 2047. This goal provides opportunities for wealth creation for investors in the stock markets which are likely to benefit from India's economic growth.

The foundation for a multi-year virtuous cycle of economic growth is already being laid. A key factor is the interest rate in India. Interest rates have already peaked out in India. Interest rates are likely to fall as headline growth and inflation data points provide the necessary conditions for a more attractive interest rate environment. The US Federal Reserve has already initiated rate cuts. This will boost consumption and lower the cost of capital for corporations. Further, the leverage of India's corporations is at a decade low level. This again is a favourable condition for expansion. Add to this, the improved financial situation of India's banking sector. India's banking sector is well capitalised and has low NPA levels. Banks in India are poised well enough to fund the next growth cycle in the country.

Investment cycle in India is likely to improve further because of improving global supply-chain, availability of low-cost labour and rapid advancement in technology capabilities in the domestic market. Improving infrastructure in India is expected to reduce logistics costs and support manufacturing. This will improve India's competitiveness globally. Today, India is no longer known for traditional low-end manufacturing and exports. India is focusing more on manufacturing and exports of electronics goods, defence equipment and pharmaceuticals. A case in the point is the recent surge in sophisticated defence exports. India's defence exports grew to Rs 21,083 crore in FY24. This is an increase of 32.5% when compared to the previous fiscal.

Further, the theme of consumption of India is likely to become more relevant than ever given the favourable demographics of the country. Factors such as formalisation of the economy, rising per capita income, low debt to GDP, e-commerce, low penetration across various categories and higher working population show that India is likely to benefit amply in the medium to long-term from the theme of consumption. In addition to this, capacity addition in the manufacturing sector will increase employment in the semi-skilled and unskilled segments of labour. This in turn will increase consumption in the lowest strata of the society.

Given these observations, it is clear that India is placed better than the rest of the world when one looks at its economy from cyclical and structural perspectives.

Too Good to Miss It

In the next few years, Indian companies are likely to record higher growth rates largely on the basis of strong domestic demand and steady increase in exports.

In this context, a natural question which arises is: What should investors do?

When one looks at the historical data, it shows that India equities have traded at a premium valuation when compared to other emerging and developed markets. This is because Indian companies have demonstrated high and superior earnings' growth. The recent rate cut cycle unleashed in the US is likely to change things in the favour of the Indian markets. Foreign investors are likely to look at emerging markets' equities. This works in the favour of the Indian markets also. In this context, India's retail investors, which have emerged almost like a parallel force in the Indian markets, must make the most of the opportunities presented by increasing investments of foreign investors. India's retail investors must also increase their investments.

But retail investors in India need to invest in a staggered manner. They must aim to construct diversified portfolios. There may be periods of volatility. But in the long run, investors who remain invested and keep adding to their investments are more likely to earn healthy risk-adjusted returns. Investors who do not have time or skills to build a portfolio, should route their investments through well-managed flexi-cap equity schemes of mutual funds. These schemes have a good performance record. They have demonstrated their ability to create wealth for investors.

One must avoid the risk of permanent loss of capital. This can be achieved by choosing a professional hand. And mutual funds are the best vehicle to achieve this goal. Investors must be careful about their investment products with a clear understanding of their investment time horizon and risk appetite.

In the Indian mutual fund industry with Rs 66 trillion assets under management, investors are increasingly opting for Systematic Investment Plans (SIPs). The SIP book stands at Rs 23,547 crore in August 2024. More investors are investing through SIP mode to take exposure to Indian equities with a view to hold on to the long-term. It must be noted here that in markets the longer the investment horizon of an investor the better are the prospects of the investor in earning high returns.

So, volatility in the Indian markets must not discourage investors to pause or stop their investments in the markets. A key aspect which investors must bear in mind is that India's growth story has just BEGUN. And this story has more interesting turns and twists which will make your journey and experience more rewarding. But the only obstacle which will deprive an investor from the potential rewards of this journey is the investor's mindset. An investor has to keep a long-term view in mind, always. Because in the long run, just like in life, things even out and become more rewarding if one is fully invested. So, let us remain invested with full gusto and faith.

Alternates – The Imperative for a Future-Ready Portfolio



Karan Bhagat

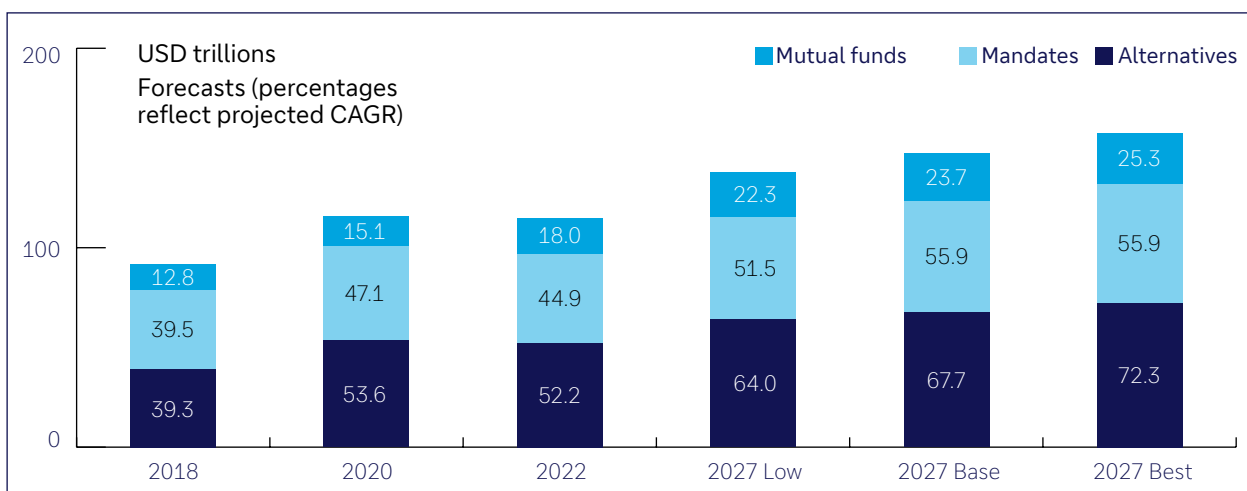
Founder, MD & CEO, 360 ONE

When building a diversified investment portfolio, traditional asset classes like equity, debt, real estate and commodities often come to mind. However, in today’s dynamic investment landscape, alternative investments are increasingly becoming essential for achieving higher risk-adjusted returns and providing a hedge against market volatility. With significant global and domestic growth, alternative investments are playing a vital role in well-rounded portfolios.

The Global Rise of Alternatives

Despite market challenges, including inflation and fluctuating interest rates, the global alternative investment market has experienced robust growth. By the end of 2023, global Assets Under Management (AUM) in the alternative space reached USD 22 trillion, and this is expected to clock a compounded annual growth rate (CAGR) of 7%, reaching USD 25.3 trillion by 2027.

Exhibit 1 – Global Alternates AUM to rebound by 2027¹



¹ <https://www.pwc.com/gx/en/industries/financial-services/asset-management/publications/asset-and-wealth-management-revolution-2023.html>

Alternatives as a Standalone Asset Class

Alternative investments go beyond traditional assets like stocks and bonds, encompassing private equity, hedge funds, real estate, venture capital and infrastructure, among others. One distinguishing feature of alternatives is their relative illiquidity, which often deters retail investors but presents a unique opportunity for high-net-worth individuals (HNIs) seeking more sophisticated investment solutions.

These alternatives, including Alternative Investment Funds (AIFs), Portfolio Management Services (PMS), and other tailored solutions, offer a chance for investors to explore niches with the potential for higher returns, albeit with a long-term perspective.

The Indian Alternates Growth Story

India's alternate investment market has seen remarkable expansion, with AIFs raising INR 11.78 trillion as of June 2024, up from INR 8.45 trillion a year ago. AIF commitments have grown at a 5-year CAGR of 32%, showing the increasing appeal of this asset class among domestic investors. Sectors such as real estate, IT, and financial services have attracted the bulk of AIF investments, reflecting strong confidence in these industries.

Category-wise growth in commitments raised

Category	5-year CAGR	7-year CAGR
CAT 1	18%	20%
CAT 2	35%	49%
CAT 3	28%	40%

From a sectoral perspective, a significant portion of the amount collected was deployed in real estate, IT/ ITes, and financial services.

Top sectors that attracted AIF investments (INR Bn)²

Sr. No	Sector	Sum of amount invested (INR Bn)
1.	Real Estate	743.5
2.	IT/ITes	253.1
3.	Financial services	245.9
4.	NBFCs	204.1
5.	Banks	175.6
6.	Pharmaceuticals	162.4
7.	FMCG	109.3
8.	Retail	108.3
9.	Renewable energy	108.0

Why You Should Consider Alternatives

Alternatives offer several compelling advantages, including the potential for higher risk-adjusted returns by focusing on niche or undervalued markets. They also tend to have a lower correlation with traditional assets like equities and bonds, providing diversification benefits and reducing portfolio volatility.

² <https://www.sebi.gov.in/statistics/1392982252002.html>

Additionally, alternatives offer access to unique asset classes, such as private equity and venture capital, which allow investors to tap into the growth of startups and unlisted companies. Real estate and infrastructure investments, in particular, provide stable cash flows even during market turbulence, making alternatives a valuable addition to a well-rounded portfolio.

The Road Ahead for Alternatives in India

Alternatives poised to play an even larger role in wealth management. Alternatives comprise about 12% of India's total AUM, compared to 17% globally. However, this gap is expected to narrow, with alternatives projected to account for 20% of India's assets by 2026, driven by increased investor demand and regulatory support.

As alternatives continue to grow in prominence, investors will need to look beyond traditional assets to harness the full potential of these opportunities. This shift reflects a broader trend toward diversification, where alternatives will no longer be seen as supplemental but as integral to any well-structured portfolio.

A diversified and future-ready portfolio is essential in today's unpredictable market environment. Alternatives offer the potential for higher returns, enhanced diversification, and long-term stability, making them a critical component of a resilient portfolio. As this sector expands, investors should consider how alternatives can fit into their portfolios.

Future of Insurance Sector in India



Vibha Padalkar

MD & CEO, HDFC Life

The India Growth Story

India has been on the path of economic growth for the past decade and this is only expected to get better. According to the International Monetary Fund (IMF), India continues to be the fastest-growing large economy globally, with a projected Gross Domestic Product (GDP) growth rate of 7%* for 2024. The per capita income in India, which currently stands at \$2,450, is expected to grow by nearly 70% by 2030.

Currently, India's insurance density is at \$73 which is low in comparison to other Southeast Asian economies such as Singapore, Taiwan, Malaysia, China, etc. Insurance density is likely to rise with income levels. As a result, India will become the sixth largest insurance market by 2032, going ahead of Germany, Canada, Italy, and South Korea.

Projections indicate that the number of middle income Indians is set to expand from approximately 91 million (30% of households) in 2020 to 165 million (46% of households) by 2030. Due credit for spreading affluence needs to be given to the targeted policies, schemes, and development programs rolled out by the government.

A material improvement in the standard of living has opened up opportunities for deepening insurance penetration in smaller cities in India. There have been considerable efforts around financial inclusion, and as a result more individuals are getting access to financial security.

Transformation of the Life Insurance Sector

Technology innovation has changed the way Indians interact and transact commercially. Digitalisation of the value chain allows greater convenience and instant access to necessary services to the end customers.

No industry can survive without embracing change and keeping pace with the latest trends. Upgrading technologies and implementing transformative strategies are key to sustaining growth in a dynamic business environment. In life insurance, digital transformation is streamlining purchasing, customer service and claims processes. Customers can now manage their policies conveniently through mobile apps, making insurance more accessible and transparent than ever before.

Artificial intelligence (AI) and machine learning (ML) has significantly revamped customer experience on the frontend as well as optimised risk assessment and fraud detection at the backend of the

*People Research on India's Consumer Economy (PRICE)

insurance value chain. With AI-powered chatbots, life insurers are providing instant support to policyholders, thus ensuring real-time turnaround for queries and requests. Insurers are using machine learning to identify outliers to avert frauds and anti-selection.

Life insurers, globally, are also using technology to go beyond the conventional areas of business and extending their technological expertise to build ecosystem platforms that enable policyholders to engage holistically and increase engagement levels. Insurance thus becomes embedded in the broader customer value proposition.

The objective is to not only simplify processes but also create a customer-focused environment providing accessibility and transparency.

Regulatory Focus on Industry Development

The 'Insurance for All by 2047' initiative by the Insurance Regulatory and Development Authority of India (IRDAI) aligns with the government's 'Viksit Bharat' agenda. It reflects the regulator's steadfast commitment to broadening insurance coverage across India. The IRDAI has taken significant strides to enhance the insurance landscape by improving ease of doing business for the insurance companies, and increasing customer trust through improved grievance redressal mechanisms and simplifying product complexities.

Additionally, the IRDAI has introduced three vital initiatives under Bima Trinity, which are:

- **Bima Sugam:** A regulator-backed online marketplace to meet all insurance requirements (a one-stop digital platform) that innovates, develops, and integrates advanced technologies to automate and digitise the processes for multiple stakeholders
- **Bima Vahak:** A women-centric, dedicated distribution channel that is focused on enhancing insurance inclusion and creating awareness in every village/ Gram Panchayat, thereby, improving accessibility and availability of insurance in every nook and corner of the country
- **Bima Vistaar:** The first-of-its-kind, all-in-one affordable insurance product, Bima Vistaar, will offer life, health, and property cover. The product has been designed to provide a basic social safety net

Outlook

The Indian life insurance industry has a great runway for growth. Opportunities presented in the form of favourable demographics, rising affluence, increasing awareness and customer centric regulatory regime makes life insurance a promising sector.

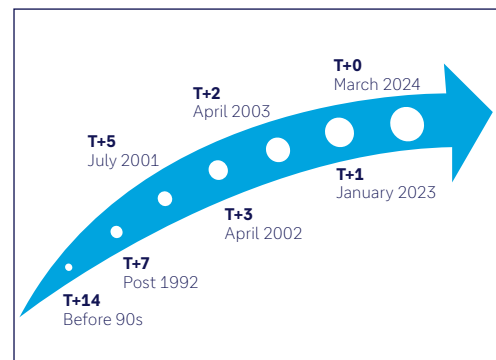
Revolutionising Trade: The Success Story of India's Shortened Settlement Cycle



Ms. Vaishali Babu

Managing Director and CEO, Indian Clearing Corporation Limited (ICCL)

In a rapidly evolving global financial landscape, India's capital markets have emerged as a benchmark of innovation and resilience. Demonstrating an unwavering commitment to efficiency and modernisation, India has progressively shortened its settlement cycles, moving from T+14 in 1992 to the full-fledged implementation of T+1 in 2023 and successfully rolling out the optional T+0 settlement in 2024. This transformation underscores India's leadership in capital market infrastructure, setting a new standard for speed, security, and investor confidence on the global stage.



The transition from T+2 to T+1, after nearly two decades, marked a monumental achievement. Under SEBI's directive, this ambitious leap in cash settlement was meticulously orchestrated through strategic foresight and sincere commitment across the entire financial ecosystem. The successful implementation stands as a testament to the collaborative efforts and resilience of all market participants viz. Stock exchanges, Central Counterparty clearing houses (CCPs) Central Securities Depository (CSDs), institutional and retail brokers, local and global custodians, Banks and Regulator. Their collective contributions have elevated India's stature as a pioneer in global capital market innovation.

T+1 Rollout: A Phased Transitional Approach for Complete Success

The phased implementation of T+1 settlement has been pivotal in ensuring a comprehensive and successful transition to T+1 settlement in 2023.

- T+1 settlement cycle was introduced w.e.f January 1, 2022 on an optional basis along with parallel run of T+2
- Securities were grouped into tranches, which moved to T+1 on a monthly basis, starting with the smallest stocks by market capitalisation, and gradually working up to the largest in the final tranche

- Bottom 100 stocks based on the daily market capitalisation averaged for October 2021 were available for trading in T+1 w.e.f February 25, 2022
- From March 2022, the next bottom 500 stocks were made available for trading on the last Friday of every month with the final tranche of stocks moving to T+1 settlement by January 2023
- Underlying stocks of Futures and Options were transitioned in T+1 in January 2023

Two guiding principles were followed while finalising the architecture for foreign players' smooth transition to T+1 settlement.

- Avoid pre-funding of trades
- Keep the hand delivery (DVP) trades at same minimum level as that of T+2 era

Challenges Navigated in the T+1 Transition

The transition to the shortened settlement cycle was not without its challenges. The key issues were swiftly addressed whether it was tight trade confirmation and affirmation cut-off window or availability of liquid foreign exchange (FX) market. The latter was somewhat addressed with FX funding instructions now extended to 19:30 hours on T+1 day. Additionally, certain other behavioural and process changes were also required to complement system automation and allowing the market sufficient time to adapt. Nonetheless, all these challenges were successfully ironed out.

Benefits of T+1 Settlement

The adoption of T+1 settlement cycle introduced several transformative benefits to the financial markets like:

- Increase in capital productivity and liquidity, reduced counterparty risk and lower costs of holding
- Mitigation of systemic and operational risk
- Reduction in number of unsettled trades and minimum exposure at CCP
- Revision in Foreign Exchange Dealers Association of India (FEDAI) norms to allow undertaking FX value cash trades beyond market hours which was previously up to 17:00 hours
- Revision in relevant clause by RBI regarding the maximum intraday risk to the custodian banks issuing IPCs to be reckoned as Capital Market Exposure (CME) at 30% of the settlement amount instead of 50%

From T+1 to T+0 (Optional) – The next leap

The T+0 settlement cycle marked a significant leap forward in India's financial infrastructure, supported by advancements in technology, architecture, and capacity of market infrastructure institutions. Real-time transfer of funds has long been a part of the Indian banking ecosystem, and India's depository system had the ability to effect immediate transfers of securities. Leveraging these technological advancements, T+0 was introduced on March 21, 2024. The primary objective of this initiative is to enhance liquidity in regulated markets and prevent a potential shift to less regulated alternatives, such as crypto markets. The T+0 cycle is currently in its initial beta phase, offered on an optional basis in cash segment. Going forward, this rollout may pave the way for instant settlements in the future.

Strategic Unfolding of T+0

- Emerged from collaborative discussions with Market Infrastructure Institutions (MIIs) and the Risk Management Review Committee
- Introduced as an optional settlement alongside T+1
- Initially implemented on 25 scrips with limited brokers in the pilot project
- Shortened trading session from 9:15 hours to 13:30 hours

Unlocking the Value: T+0

While the introduction of T+0 settlement does present certain challenges, such as liquidity fragmentation and operational complexities, these are not insurmountable. Through ongoing dialogue among market participants, regulators, and infrastructure institutions, we are confident that these issues will be resolved. The phased approach of T+0 implementation allows for adjustments and refinements as the market evolves, ensuring that any disruptions are minimised. Meanwhile, the benefits – such as faster settlements, attracting investors from less regulated markets like crypto, enhancing liquidity in regulated markets, and reducing systemic risk through prompt settlements – far outweigh the temporary hurdles. These efforts will ensure long-term advantages for all stakeholders.

India Sets the Pace: Setting the Standard in Settlement cycles

In conclusion, India has established itself as a global leader in financial market innovation, being the first major economy to implement a T+0 settlement cycle. While other markets like the U.S., Argentina, Mexico, and Canada have transitioned to T+1, and European regulators are considering similar moves, India's comprehensive approach to faster settlements sets it apart. With approx. 17.10 crore demat accounts and the growing role of retail and Foreign Portfolio Investors (FPIs), India's capital markets continue to thrive on the back of enhanced efficacy and security.

Though advanced technologies like distributed ledger technology (DLT) and blockchain hold promise for the future, they are yet to be fully explored in India. Nevertheless, the adoption of digital solutions, investments in IT infrastructure, and embracing standardised protocols remain pivotal in ensuring accurate, timely settlements and fostering better risk management.

India's journey from T+14 to T+0 is a testament to its commitment to modernisation, and as technological innovation continues to play a vital role, India is well-positioned to set the global benchmark for market operational excellence in the years to come.

Annexures

Useful Reference Links

Reserve Bank of India (RBI)	https://www.rbi.org.in
National Stock Exchange (NSE)	https://www.nseindia.com
Securities and Exchange Board of India (SEBI)	https://www.sebi.gov.in
Bombay Stock Exchange (BSE)	https://www.bseindia.com
Indian Clearing Corporation Limited (ICCL)	https://www.icclindia.com
NSE Clearing Limited (NCL)	https://www.nscclindia.com
National Securities Depository Limited (NSDL)	https://nsdl.co.in/
Central Depository Services (India) Limited (CDSL)	https://www.cdslindia.com
Press Information Bureau	https://pib.gov.in
Ministry of Finance	https://finmin.gov.in/
Department for Promotion of Industry and Internal Trade	https://dpiit.gov.in
CDSL Ventures Limited (CVL)	https://www.cvlkra.com
NSDL Database Management Limited (NDML)	https://kra.ndml.in
International Organization of Securities Commissions (IOSCO)	https://www.iosco.org
Bank for International Settlements	https://www.bis.org
Financial Action Task Force (FATF)	https://www.fatf-gafi.org
International Financial Services Centres Authority	https://www.ifsc.gov.in
Insurance Regulatory and Development Authority of India	https://www.irdai.gov.in
Income Tax Department	https://www.incometaxindia.gov.in
Clearing Corporation of India Limited	https://www.ccilindia.com

Key Contacts in India

Bombay Stock Exchange (BSE)

NAME: Sameer Patil
DESIGNATION: Chief Business Officer
EMAIL: sameer.patil@bseindia.com
PHONE: +91-22-2272 8587

Indian Clearing Corporation Limited (ICCL)

NAME: Vaishali Babu
DESIGNATION: Managing Director and
Chief Executive Officer
EMAIL: vaishali.babu@icclindia.com
PHONE: +91-22-2272 8040

Central Depository Services Ltd (CDSL)

NAME: Nehal Vora
DESIGNATION: Managing Director and
Chief Executive Officer
EMAIL: mdceo@cDSLindia.com
PHONE: +91-22-2305 8640

CDSL Ventures Limited (CVL)

NAME: Sunil Alvares
DESIGNATION: Managing Director and
Chief Executive Officer
EMAIL: sunila@cDSLindia.com
PHONE: +91-22-2272 8627

Multi Commodity Exchange
of India Ltd. (MCX)

NAME: Rishi Nathany
DESIGNATION: Chief Business Officer
EMAIL: Rishi.Nathany@mcxindia.com

National Securities Depository
Limited (NSDL)

NAME: Prashant Vagal
DESIGNATION: Executive Vice President
EMAIL: prashantv@nsdl.co.in
PHONE: +91-22-2499 4481

National Stock Exchange (NSE)

NAME: Sriram Krishnan
DESIGNATION: Chief Business Development Officer
EMAIL: sriramk@nse.co.in
PHONE: +91-22-2659 8225

NSE Clearing Limited (NCL)

NAME: Vikram Kothari
 DESIGNATION: Managing Director
 EMAIL: vkothari@nsccl.co.in
 PHONE: +91-22-2659 8424

National Commodity and Derivatives Exchange Limited (NCDEX)

NAME: Kavita Jha
 DESIGNATION: Vice President, Retail & Institutional Business
 EMAIL: Kavita.Jha@ncdex.com
 PHONE: +91-22-6640 6849/ +91-99302 67919

NSDL Database Management Limited (NDML)

NAME: Vijay Gupta
 DESIGNATION: Senior Vice President
 EMAIL: vijayg@nsdl.co.in
 PHONE: +91-22-4914 2504/ +91-98193 77088

Gujarat International Finance Tec-City (GIFT IFSC)

NAME: Sandip Shah
 DESIGNATION: Head – IFSC Department, GIFT City
 EMAIL: sandip.shah@giftgujarat.in
 PHONE: +91-79617 08497/ +91-75670 22882

Tax Agents/ Consultants

BDO

NAME: Manoj Purohit
 DESIGNATION: Leader – FS Tax, Tax and Regulatory Services
 EMAIL: manojpurohit@bdo.in
 PHONE: +91-98330 91298

Deloitte Touche Tohmatsu India LLP

NAME: Rajesh H Gandhi
 DESIGNATION: Partner
 EMAIL: rajegandhi@deloitte.com
 PHONE: +91-22-6185 4380/ +91-98195 90172

Ernst & Young LLP

NAME: Tejas Desai
 DESIGNATION: Partner & Leader, Wealth & Asset Management - Tax & Regulatory Services
 EMAIL: tejas.desai@in.ey.com
 PHONE: +91-22-6192 0710/ +91-98204 10278

KPMG

NAME: Sunil Badala
 DESIGNATION: Deputy Head of Tax and National Head BFSI-Tax
 EMAIL: sunilbadala@kpmg.com
 PHONE: +91-22-3989 6000/ +91-98926 00615

Manohar Chowdhry & Associates

NAME: Ameet Patel
 DESIGNATION: Partner
 EMAIL: ameet.patel@mca.co.in
 PHONE: +91-98200 54854

Minesh Shah & Associates LLP

NAME: Malav Shah
 DESIGNATION: Partner
 EMAIL: malav@mineshshah.com
 PHONE: +91-22-4004 4600/ +91-98209 09359

Price Waterhouse & Co. LLP

NAME: Suresh Swamy
 DESIGNATION: Partner
 EMAIL: suresh.v.swamy@pwc.com
 PHONE: +91-79-6906 0175/ +91-99301 48175

Nexdigm (SKP)

NAME: Maulik Doshi
 DESIGNATION: Deputy Managing Director
 EMAIL: maulik.doshi@nexdigm.com
 PHONE: +91-22-6617 8100/ +91-98205 40027

Grant Thornton India LLP

NAME: Paresh Kubadiya
 DESIGNATION: Director
 EMAIL: Fiigtax@in.gt.com
 PHONE: +91-22-6626 2600

Legal contacts

BEGUR & PARTNERS

NAME: Rajesh N. Begur
 DESIGNATION: Founder and Managing Partner
 EMAIL: rajesh@begurs.com
 PHONE: +91-22-4004 9800/ 01

AZB & Partners,
Advocates & Solicitors

NAME: Rushabh Maniar
 DESIGNATION: Senior Partner
 EMAIL: rushabh.maniar@azbpartners.com
 PHONE: + 91-22-4072 9999

Finsec Law Advisors

NAME: Sandeep Parekh
 DESIGNATION: Managing Partner
 EMAIL: sandeep.parekh@finseclaw.com
 PHONE: +91-22-4601 1072

JSA, Advocates & Solicitors

NAME: Utsav Johri
 DESIGNATION: Partner
 EMAIL: utsav.johri@jsalaw.com
 PHONE: +91-22-4341 8910/ +91-90040 91913

Khaitan & Co

NAME: Siddharth Shah
 DESIGNATION: Partner
 EMAIL: Siddharth.Shah@khaitanco.com
 PHONE: +91-22-6636 5000

Juris Corp, Advocates and Solicitors

NAME: Smrithi Nair
 DESIGNATION: Partner
 EMAIL: smrithi.nair@juriscorp.in
 PHONE: +91-77383 50144

Nishith Desai Associates

NAME: Nishith Desai
DESIGNATION: Founder
EMAIL: nishith@nishithdesai.com
PHONE: +91-22-6669 5130/ +91-77386 33000

Shardul Amarchand Mangaldas

NAME: Jay Gandhi
DESIGNATION: Partner
EMAIL: jay.gandhi@AMSShardul.com
PHONE: +91-22-4933 5555/ +91-98200 54821

Trilegal

NAME: Ameya Khandge
DESIGNATION: Partner
EMAIL: Ameya.Khandge@trilegal.com
PHONE: +91-22-4079 1000/ +91-22-4079 1006

Wadia Ghandy & Co.
Advocates, Solicitors and Notaries

NAME: Shabnum Kajiji
DESIGNATION: Joint Managing Partner
EMAIL: shabnum.kajiji@wadiaghandy.com
PHONE: +91-22-4073 5652

Glossary of Abbreviations used in the Book

Abbreviation	Full word
AD	Authorised Dealer
ADR	American Depository Receipt
AGM	Annual General Meeting
AI	Approved Intermediary
AIF	Alternative Investment Fund
AML	Anti-Money Laundering
ARC	Asset Reconstruction Company
ASBA	Application Supported by Blocked Amount
BDR	Bullion Depository Receipt
BIS	Bank for International Settlements
BO	Beneficial Owner / Beneficial Ownership
BSE	Bombay Stock Exchange
CAF	Common Application Form
CBDT	Central Board of Direct Taxes
CBIC	Central Board of Indirect Taxes and Customs
CBRICS	Corporate Bond Reporting and Integrated Clearing System
CC	Clearing Corporation
CCD	Compulsory Convertible Debenture

Abbreviation	Full word
CCEA	Cabinet Committee on Economic Affairs
CCIL	Clearing Corporation of India Ltd.
CCP	Central Counterparty
CD	Certificate of Deposit
CDIL	Corporate Debt Investment Limit
CDSL	Central Depository Services (India) Limited
CFT	Combating the Financing of Terrorism
CIS	Collective Investment Scheme
CM	Clearing Member
COI	Certificate of Incorporation
CP	Commercial Paper
CPI	Consumer Price Index
CRS	Common Reporting Standards
CSGF	Core Settlement Guarantee Fund
CSGL	Constituents' Subsidiary General Ledger
CTT	Commodities Transaction Tax
DDP	Designated Depository Participant

Abbreviation	Full word
DEA	Department of Economic Affairs
DII	Domestic Institutional Investor
DoR	Department of Revenue
DP	Depository Participant
DPIIT	Department for Promotion of Industry and Internal Trade
DR	Depository Receipt
DSC	Digital Signature Certificate
DTAA	Double Taxation Avoidance Agreement
ECB	External Commercial Borrowing
ECM	Exchange Control Manual
EFI	Eligible Foreign Investor
EGM	Extraordinary General Meeting
ELM	Extreme Loss Margin
EBP	Electronic Book Provider
ETCD	Exchange Traded Currency Derivatives
ETF	Exchange Traded Fund
EOU	Export Oriented Unit
F&O	Futures and Options
FAQs	Frequently Asked Questions
FATCA	Foreign Account Tax Compliance Act
FATF	Financial Action Task Force
FCCB	Foreign Currency Convertible Bond
FCEB	Foreign Currency Exchangeable Bond
FD	Fixed Deposit
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999
FI	Financial Institution
FIFO	First In, First Out

Abbreviation	Full word
FIFP	Foreign Investment Facilitation Portal
FII	Foreign Institutional Investor
FMC	Forward Markets Commission
FMI	Financial Market Infrastructure
FMP	Fixed Maturity Plan
FPI	Foreign Portfolio Investor
FPO	Follow on Public Offer
FRB	Floating Rate Bond
FVCI	Foreign Venture Capital Investor
FX	Forex
FY	Financial Year
GAAR	General Anti-Avoidance Rule
GAH	Gilt Account Holder
GC	Global Custodian
GDP	Gross Domestic Product
GDR	Global Depository Receipt
GIFT City	Gujarat International Finance Tec-City
Gol	Government of India
G-Sec	Government Security
GST	Goods and Services Tax
HNI	High Net-worth Individual
ICCL	Indian Clearing Corporation Limited
ICDM	Indian Corporate Debt Market
ICDR	Issue of Capital and Disclosure Requirements
IDFI	Indian Development Finance Institutions
IDR	Indian Depository Receipt
IFSC	International Financial Services Centre
IGA	Inter-Governmental Agreement
INR	Indian Rupee

Abbreviation	Full word
InvIT	Infrastructure Investment Trust
IOSCO	International Organization of Securities Commissions
IPO	Initial Public Offer
IPP	Institutional Placement Programme
IRDAI	Insurance Regulatory and Development Authority of India
IRF	Interest Rate Future
ISIN	International Securities Identification Number
ITD	Income Tax Department
ITP	Institutional Trading Platform
IVCU	Indian Venture Capital Undertaking
KMP	Key Managerial Personnel
KYC	Know Your Client
LEI	Legal Entity Identifier
LLP	Limited Liability Partnership
LOU	Local Operating Unit
MAT	Minimum Alternate Tax
MCA	Ministry of Corporate Affairs
MCCIL	Metropolitan Clearing Corporation of India Limited
MCX	Multi Commodity Exchange of India Limited
MEA	Ministry of External Affairs
MF	Mutual Fund
MHA	Ministry of Home Affairs
MIM	Multiple Investment Managers
MMoU	Multilateral Memorandum of Understanding
MoA	Memorandum of Association
MoF	Ministry of Finance
MRC	Minimum Required Capital

Abbreviation	Full word
MSEI	Metropolitan Stock Exchange of India
MSME	Micro, Small and Medium-sized Enterprises
MTM	Mark to Market
MWPL	Market Wide Position Limit
NAV	Net Asset Value
NBFC	Non-Banking Financial Company
NCD	Non-Convertible Debenture
NCDEX	National Commodity & Derivatives Exchange Limited
NCL	NSE Clearing Limited
NDS-OM	Negotiated Dealing System-Order Matching
NEFT	National Electronic Funds Transfer
NOC	No Objection Certificate
NRI	Non-Resident Indian
NCL	NSE Clearing Limited
NSDL	National Securities Depository Limited
NSE	National Stock Exchange
NTRP	Negotiated Trade Reporting Platform
OCI	Overseas Citizen of India
OCB	Overseas Corporate Bodies
ODI	Offshore Derivative Instrument
OFS	Offer for Sale
OTC	Over-the-Counter
PAN	Permanent Account Number
PD	Primary Dealer
PDO	Public Debt Office
PE	Permanent Establishment
PIO	Persons of Indian Origin
PIS	Portfolio Investment Scheme
PM	Primary Member

Abbreviation	Full word
PMLA	Prevention of Money Laundering Act, 2002
POA	Power of Attorney
PPP	Public Private Partnership
PSU	Public Sector Undertaking
PTC	Pass Through Certificate
QFI	Qualified Foreign Investor
QIB	Qualified Institutional Buyer
QIP	Qualified Institutions Placement
RBI	Reserve Bank of India
RDM	Retail Debt Market
REIT	Real Estate Investment Trust
RI	Resident Indian
RII	Resident Indian Individual
RINI	Resident Indian Non-Individual
RFQ	Request for Quote
RTGS	Real Time Gross Settlement
SAST	Substantial Acquisition of Shares and Takeovers
SAT	Securities Appellate Tribunal
SCRA	Securities Contracts (Regulation) Act, 1956
SDL	State Development Loan
SDR	Strategic Debt Restructuring
SEBI	Securities and Exchange Board of India
SEZ	Special Economic Zone
SGF	Settlement Guarantee Fund
SGL	Subsidiary General Ledger
SLB	Securities Lending and Borrowing
SLBS	Security Lending and Borrowing Scheme
SLR	Statutory Liquidity Ratio
SME	Small and Medium Enterprise

Abbreviation	Full word
SMO	Senior Managing Official
SNAS	Segregated Nominee Account Structure
SNRR	Special Non Resident Rupee Account
SPAN	Standardised Portfolio Analysis of Risk
SPD	Standard Primary Dealer
SPV	Special Purpose Vehicle
STT	Securities Transaction Tax
TAN	Tax Deduction and Collection Account Number
T-Bill	Treasury Bill
TC	Tax Consultant
TDR	Transfer of Development Rights
UCC	Unique Client Code
UPSI	Unpublished Price Sensitivity Information
VaR	Value-at-Risk
VC	Venture Capital
VCF	Venture Capital Fund
VCU	Venture Capital Undertaking
VRR	Voluntary Retention Route
WHT	Withholding Tax
ZCB	Zero Coupon Bond

Securities Services, India Corporate Bank Deutsche Bank AG, India

Contact

Janak Dalal
Managing Director
Head of Securities Services – India & Sri Lanka
Co-Head, Corporate Bank, India
Deutsche Bank AG

Tel: +91-22-7181-1111
Email: janak.dalal@db.com

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