



भारतीय प्रतिभूति और विनिमय बोर्ड Securities and Exchange Board of India

CIR/IMD/FPIC/CIR/P/2018/132

September 21, 2018

To,

1. All Foreign Portfolio Investors ("FPIs") through their Designated Depository Participants ("DDPs")/ Custodian of Securities.
2. Designated Depository Participants ("DDPs")/ Custodian of Securities.
3. All Recognized Stock Exchanges
4. The Depositories (NSDL and CDSL)
5. Stock Brokers through Recognized Stock Exchanges
6. Depository Participants through Depositories
7. Mutual Funds
8. Association of Mutual Funds in India
9. Portfolio Managers
10. KYC Registrations Agencies (KRAs)
11. Alternative Investment Funds (AIFs)

Sir/ Madam,

Subject: Eligibility conditions for Foreign Portfolio Investors (FPIs)

SEBI Board in its meeting held on September 18, 2018, has after considering the interim recommendations of SEBI Working Group under the chairmanship of Shri H. R. Khan (hereinafter referred as HR Khan group) in relation to the circular No CIR/IMD/FPIC/CIR/P/2018/64 dated April 10, 2018 on Know Your Client (KYC) requirements for Foreign Portfolio Investors (FPIs) and comments received from public decided that Beneficial ownership criteria in Prevention of Money-laundering (Maintenance of Records) Rules, 2005 (hereinafter referred as PMLA Rules) should be made applicable for purpose of KYC and not for determining eligibility of FPIs. The clubbing of investment limit for FPIs should not be done on the basis of beneficial owner (BO) as per PMLA Rules. Accordingly, there will be a separate set of norms for determining conditions where Non Resident Indians (NRIs) and Overseas Citizens of India (OCIs) and Resident Indians (RIs) are constituents.

2. The Board broadly accepted the recommendations of HR Khan group. Accordingly, it has been decided to put in place the following eligibility norms. The Amendments in SEBI (FPI) Regulations, 2014, wherever necessary, will be notified separately.

2.1. Non Resident Indians (NRIs) and Overseas Citizens of India (OCIs) shall have the same meaning as assigned to them under regulation 2 of the Foreign Exchange Management (Transfer or issue of security by a Person Resident outside India) Regulations, 2017.

2.2. NRIs/ OCIs/ Resident Indians (RIs) shall be allowed to be constituents of FPIs subject to the following conditions:-

- a. Contributions by NRI/ OCI/ RI including those of NRI/ OCI/ RI controlled Investment Manager should be below 25% from a single NRI/ OCI/ RI and in aggregate should be below 50% to corpus of FPI.



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Explanation: Resident Indian's contribution permitted is that made through Liberalised Remittance Scheme (LRS) approved by Reserve Bank of India in global funds whose Indian exposure is less than 50%.

b. NRI/ OCI/ RI should not be in control of FPI.

2.3 FPIs can be controlled by investment managers (IMs) which are controlled and / or owned by NRI/ OCI/ RI if following conditions are satisfied:-

- i. IM is appropriately regulated in its home jurisdiction and registers itself with SEBI as non-investing FPI; or
- ii. IM is incorporated or setup under Indian laws and appropriately registered with SEBI.

2.4 A non-investing FPI may be directly or indirectly fully owned and/ or controlled by a NRI/ OCI/ RI.

2.5 The restriction that NRI/ OCI/ RI should not be in control of FPI shall also not apply to FPIs which are 'offshore funds' for which no-objection certificate has been provided by the Board in terms of SEBI (Mutual Funds) Regulations, 1996.

2.6 These restrictions in regard to eligibility conditions (*viz.* referred at para 2.2 above) will not be applicable to FPIs investing only in mutual funds in India.

2.7 Existing FPIs and new applicants shall be given a time period of two years from the date of coming into force of the amended regulations or from the date of registration, whichever is later in order to satisfy these eligibility conditions.

2.8 In case of temporary breach, a time period of 90 days will be given to ensure compliance with above conditions.

3. This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

4. A copy of this circular is available at the links "Legal Framework→Circulars" and "Info for →F.P.I" on SEBI website www.sebi.gov.in. The DDPs/Custodians are requested to bring the contents of this circular to the notice of their FPI clients.

Yours faithfully,

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