

RBI/2014-15/453 A. P. (DIR Series) Circular No. 72

February 05, 2015

To,

All Authorised Persons

Madam/Sir,

Foreign investment in India by Foreign Portfolio Investors

Attention of Authorized Dealer Category-I (AD Category-I) banks is invited to schedule 5 to the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 notified vide Notification No.FEMA.20/2000-RB dated May 3, 2000, as amended from time to time, in terms of which registered Foreign Portfolio Investors (FPIs) may purchase, on repatriation basis Government securities and non-convertible debentures (NCDs) / bonds issued by an Indian company subject to such terms and conditions as mentioned therein and limits as prescribed for the same by the Reserve Bank of India and Securities and Exchange Board of India from time to time.

- 2. Attention of AD Category-I banks is also invited to the announcement in the <u>Sixth Bi-Monthly Monetary Policy Statement</u>, <u>2014-15</u>, <u>issued on February 03</u>, <u>2015</u> in terms of which reinvestment of coupons in Government securities will be enabled even when the existing limits are fully utilised.
- **3.** Accordingly, FPIs shall be permitted to invest in government securities, the coupons received on their existing investments in government securities. These investments shall be kept outside the applicable limit (currently USD 30 billion) for investments by FPIs in government securities. AD Category I banks shall ensure reporting of such investments as may be prescribed from time to time.

- **4.** The aforesaid directions come into force with immediate effect. Further operational guidelines will be issued by SEBI.
- **5.** All other existing conditions for investment by FPIs in the Government securities market remain unchanged for this additional facility as well.
- **6.** AD Category I banks may bring the contents of this circular to the notice of their constituents and customers concerned.
- **7.** The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(B. P. Kanungo) Principal Chief General Manager