



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
www.rbi.org.in

Draft Circular

RBI/2015-16/....

A.P. (DIR Series) Circular No. ...

....., 2016

To,

All Category – I Authorised Dealer banks

Madam / Sir,

Investment by Foreign Portfolio Investors (FPI) in Corporate Debt Securities

Attention of Authorised Dealers Category – I (AD Category - I) banks is invited to paragraph 1 of 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, foreign portfolio investors (FPI) are permitted to invest only in listed or to-be-listed debt securities. Investment in unlisted debt securities is permitted only in case of companies in the infrastructure sector. Further, investment by FPIs in securitised debt instruments is currently not permitted.

2. As announced in the Union Budget 2016-17, it has now been decided to expand the investment basket of eligible instruments for investment by FPIs under the corporate bond route to include the following:

- (i) **Unlisted debt securities:** FPIs can invest in the primary issues of non-convertible debentures/bonds by a public company issued in demat form, provided that the issuing company does not use the borrowing proceeds for real estate activities, purchase of land, investing in capital market or on-

lending to other entities. The custodian banks of FPIs shall ensure compliance with this condition based on an undertaking from the issuing company.

(ii) Securitised Debt Instruments: FPIs can invest in the following securitised debt instruments:

- (i) any certificate or instrument issued by a special purpose vehicle (SPV) set up for securitisation of asset/s where banks, FIs or NBFCs are originators, as defined in terms of the RBI Circular DBOD.NO.BP.BC.60/21.04.048/2005-06 dated February 1, 2006.
- (ii) any certificate or instrument issued and listed in terms of the SEBI “Regulations on Public Offer and Listing of Securitised Debt Instruments, 2008.

3. AD Category - I banks may bring the contents of the circular to the notice of their customers/constituents concerned.

4. Necessary amendments to Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 ([Notification No. FEMA 20/2000-RB dated May 3, 2000](#)) are being notified separately.

5. 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,

(R.Subramanian)
Chief General Manager