



RESERVE BANK OF INDIA  
Financial Markets Regulation Department

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RBI/2015-16/253

A.P. (DIR Series) Circular No.31

November 26, 2015

To

All Authorised Persons

Madam/ Sir,

**Investment by Foreign Portfolio Investors (FPI) in Corporate Bonds**

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 and to [A.P. \(DIR Series\) Circular No. 71 dated February 3, 2015](#) and [A. P. \(DIR Series\) Circular No.73 dated February 6, 2015](#) in terms of which all future investments by Foreign Portfolio Investors (FPI) in NCDs/bonds shall be required to be made in securities with a minimum residual maturity of three years.

2. On a review, it has been decided to permit FPI to acquire NCDs/bonds, which are under default, either fully or partly, in the repayment of principal on maturity or principal installment in the case of amortising bond. The revised maturity period of such NCDs/bonds, restructured based on negotiations with the issuing Indian company, should be three years or more.



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3. The FPI which propose to acquire such NCDs/bonds under default 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 should be within the overall limit prescribed for corporate debt from time to time (currently Rs. 2443.23 billion). All other existing conditions for investment by FPIs in the debt market remain unchanged.

4. 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. AD Category – I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

Yours faithfully,

(R.Subramanian)  
Chief General Manager