



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
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RBI/2014-15/460

A. P. (DIR Series) Circular No.73

February 06, 2015

To,

All Authorised Persons

Madam/ Sir,

Foreign investment in India by Foreign Portfolio Investors

Attention of AD Category-I banks is invited to the announcement in the [Sixth Bi-Monthly Monetary Policy Statement, 2014-15](#), issued on February 03, 2015 and [A.P. \(DIR Series\) Circular No. 71 dated February 03, 2015](#) in terms of which all future investments by registered Foreign Portfolio Investors (FPIs) in the debt market in India will be required to be made with a minimum residual maturity of three years.

2. In this context, the Reserve Bank has been receiving some enquiries about the applicability of the aforesaid directions. The queries raised and our clarifications thereon are as under:

- a. **Query:** The applicability of the directions to investment by FPIs in commercial papers (CPs).

Clarification: In terms of the aforesaid directions, any fresh investments shall be permitted in any type of debt instrument in India with a minimum residual maturity of three years. Accordingly, FPIs shall not be allowed to make any further investment in CPs.

- b. **Query:** The applicability of these guidelines on debt instruments having maturity of three years and over but with optionality clause of less than three years.

Clarification: FPIs shall not be allowed to make any further investments in debt instruments having minimum initial / residual maturity of three years with optionality clause exercisable within three years.

- c. **Query:** The applicability of these guidelines on amortised debt instruments having average maturity of three years and above.

Clarification: FPIs shall be permitted to invest in amortised debt instruments provided the duration of the instrument is three years and above.

3. Any arrangement that negates any of the above shall not be in conformity with the provisions of the A.P. (DIR Series) Circular No. 71 dated February 03, 2015.

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

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,

(B. P. Kanungo)

Principal Chief General Manager