



**RESERVE BANK OF INDIA**  
**Foreign Exchange Department**  
**Central Office**  
**Mumbai - 400 001**

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**RBI/2013-14/ 533**  
**A.P. (DIR Series) Circular No.112**

**March 25, 2014**

To

All Category – I Authorised Dealer Banks

Madam / Sir,

**Foreign Portfolio Investor - investment under Portfolio Investment Scheme,  
Government and Corporate debt**

Attention of Authorised Dealer Category – I (AD Category-I) banks is invited to the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 (the Principal Regulations) notified by the Reserve Bank vide [Notification No. FEMA. 20/2000-RB dated 3rd May 2000](#), as amended from time to time.

2. The extant guidelines for Portfolio Investment Scheme for Foreign Institutional Investor (FII) and Qualified Foreign Investor (QFI) have since been reviewed and it has been decided to put in place a framework for investments under a new scheme called 'Foreign Portfolio Investment' scheme.

3. The salient features of the new scheme are:

- The portfolio investor registered in accordance with SEBI guidelines shall be called 'Registered Foreign Portfolio Investor (RFPI)'. The existing portfolio investor class, namely, Foreign Institutional Investor (FII) and Qualified Foreign Investor (QFI) registered with SEBI shall be subsumed under RFPI;
- RFPI may purchase and sell shares and convertible debentures of Indian company through registered broker on recognised stock exchanges in India

as well as purchases shares and convertible debentures which are offered to public in terms of relevant SEBI guidelines/ regulations.

- RFPI may sell shares or convertible debentures so acquired
  - a) in open offer in accordance with the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; or
  - b) in an open offer in accordance with the SEBI (Delisting of Equity shares) Regulations, 2009; or
  - c) through buyback of shares by a listed Indian company in accordance with the SEBI (Buy-back of securities) Regulations, 1998.
- RFPI may also acquire shares or convertible debentures
  - a) in any bid for, or acquisition of, securities in response to an offer for disinvestment of shares made by the Central Government or any State Government; or
  - b) in any transaction in securities pursuant to an agreement entered into with merchant banker in the process of market making or subscribing to unsubscribed portion of the issue in accordance with Chapter XB of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.
- The individual and aggregate investment limits for the RFPIs shall be below 10% (per cent) or 24% (per cent) respectively of the total paid-up equity capital or 10% (per cent) or 24% (per cent) respectively of the paid-up value of each series of convertible debentures issued by an Indian company. Further, where there is composite sectoral cap under FDI policy, these limits for RFPI investment shall also be within such overall FDI sectoral caps;
- RFPI shall be eligible to open a Special Non-Resident Rupee (SNRR) account and a foreign currency account with Authorised Dealer bank and to transfer sums from foreign currency account to SNRR account at the prevailing market rate for making genuine investments in securities. The

Authorised Dealer bank may transfer repatriable proceeds (after payment of applicable taxes) from SNRR account to foreign currency account ;

- RFPI shall be eligible to invest in government securities and corporate debt subject to limits specified by the RBI and SEBI from time to time;
- The investment by RFPI will be made subject to the SEBI (FPI) Regulations 2014, modified by SEBI/Government of India from time to time;
- RFPI shall be permitted to trade in all exchange traded derivative contracts on the stock exchanges in India subject to the position limits as specified by SEBI from time to time;
- RFPI may offer cash or foreign sovereign securities with AAA rating or corporate bonds or domestic Government Securities, as collateral to the recognized Stock Exchanges for their transactions in the cash as well as derivative segment of the market.

4. Any foreign institutional investor who holds a valid certificate of registration from SEBI shall be deemed to be a registered foreign portfolio investor (RFPI) till the expiry of the block of three years for which fees have been paid as per the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995. A QFI may continue to buy, sell or otherwise deal in securities subject to the SEBI (FPI) Regulations, 2014 for a period of one year from the date of commencement of these regulations, or until he obtains a certificate of registration as foreign portfolio investor, whichever is earlier.

However, all investments made by that FII/QFI in accordance with the regulations prior to registration as RFPI shall continue to be valid and taken into account for computation of aggregate limit.

5. RFPI shall report the transaction to RBI as being reported by FII in LEC Form as per extant practice.

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

7. Reserve Bank has since amended the Principal Regulations through the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2014 notified vide [Notification No. FEMA.297/2014-RB dated March 13, 2014](#), c.f. G.S.R. No. 189(E) dated March 19, 2014.

8. 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

**(Rudra Narayan Kar)**  
**Chief General Manager-In-Charge**