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

RBI/2012-13/391
A. P. (DIR Series) Circular No.80 **January 24, 2013**

To

All Category-I Authorised Dealer Banks

Madam / Sir,

Foreign investment in India by SEBI registered FIIs in Government securities and corporate debt

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 SEBI registered Foreign Institutional Investors (FIIs) 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 RBI and SEBI from time to time. The present limit for FII investments in Government securities is USD 20 billion and for corporate debt is USD 45 billion including sub-limit of USD 25 billion for the bonds of the infrastructure sector.

2. Attention of AD Category-I banks is also invited to A.P.(DIR Series) Circular No.135 dated June 25, 2012 in terms of which FIIs and long terms investors like Sovereign Wealth Funds (SWFs), Multilateral Agencies, Endowment Funds, Insurance Funds, Pension Funds and Foreign Central Banks to be registered with SEBI may invest in Government securities having residual maturity of three years at the time of first purchase upto USD 10 billion within the overall limit of USD 20 billion for FII investment in Government securities subject to terms and conditions, ibid. In respect of infrastructure debt, the condition of lock-in period for the limit of USD 22 billion including USD 10 billion for non resident investment in Infrastructure Debt Funds (IDFs) having lock-in period of 3 years (which is within the overall limit of USD

25 billion for investment in NCDs / bonds in the infrastructure sector) was uniformly reduced to one year.

3. On a review it has now been decided to implement the following changes:

(A) Government Securities

(a) The sub-limit of USD 10 billion for investment by FIIs and the long term investors in dated Government securities stands enhanced by USD 5 billion, i.e., from USD 10 billion to USD 15 billion. Accordingly, the total limit for investment in Government Securities stands enhanced from USD 20 billion to USD 25 billion.

(b) The condition of three year residual maturity of the Government securities at the time of first purchase for the above sub-limit shall no longer be applicable. Thus, residual maturity condition shall not be applicable for the entire sub-limit of USD 15 billion but such investments will not be allowed in short term paper like Treasury Bills, as hitherto.

(c) A summary of revised position for Government Securities is given below:

Instrument	Limit	Investor	Conditions	Remarks
Government securities	USD 10 billion	FIIs	No conditions	-
Government dated securities	USD 15 billion	FIIs and SWF, Multilateral Agencies, Pension/ Insurance/ Endowment Funds, Foreign Central Banks	Investments in short term paper like Treasury Bills not permitted	No residual maturity requirement

(B) Corporate Debt

(d) The limit for FII investment in corporate debt in other than infrastructure sector stands enhanced by USD 5 billion, i.e., from USD 20 billion to USD 25 billion However, the enhanced limit of USD 5 billion shall not be available for investment in

Certificate of Deposits (CD) and Commercial Papers (CP). Accordingly, the total corporate debt limit stands enhanced from USD 45 billion to USD 50 billion with sub-limit of USD 25 billion each for infrastructure and other than infrastructure sector bonds. In addition, as hitherto, Qualified Foreign Investors (QFIs) shall continue to be eligible to invest in corporate debt securities (without any lock-in or residual maturity clause) and Mutual Fund debt schemes subject to a total overall ceiling of USD 1 billion in terms of A.P.(DIR Series) Circular No.7 dated July 16, 2012. This limit of USD 1 billion shall continue to be over and above the revised limit of USD 50 billion for investment in corporate debt.

(e) The revised limit of USD 25 billion for corporate bonds for other than infrastructure sector shall be available for investment by FIIs and the long term investors like Sovereign Wealth Funds (SWFs), Multilateral Agencies, Endowment Funds, Insurance Funds, Pension Funds and Foreign Central Banks registered with SEBI.

(f) As a measure of further relaxation, it has also been decided to dispense with the condition of one year lock-in period for the limit of USD 22 billion (comprising the limits of infrastructure bonds of USD 12 billion and USD 10 billion for non –resident investment in IDFs) within the overall limit of USD 25 billion for foreign investment in infrastructure corporate bond. The residual maturity period (at the time of first purchase) requirement for entire limit of USD 22 billion for foreign investment in infrastructure sector has been uniformly kept at 15 months. The 5 years residual maturity requirement for investments by QFIs within the USD 3 billion limit has been modified to 3 years original maturity.

4. A summary of revised position for corporate debt limits is given below:

Instrument	Limit	Investor	Conditions	Remarks
(A) Non-Infrastructure Sector				
(i) Listed NCDs/ bonds, CPs	USD 20 billion	FII s	Investment in CDs not permitted.	No lock-in period requirement; No residual maturity restriction; No original maturity restriction.
(ii) Listed NCDs/ bonds	USD 5 billion	FIIs, SWFs, Multilateral Agencies, Pension/ Insurance/ Endowment Funds, Foreign Central Banks	Investments in CPs and CDs not permitted	No lock-in period requirement; No residual maturity restriction; No original maturity restriction.
(iii) Security Receipts, Perpetual debt instruments, units of domestic mutual funds; “to be listed corporate bonds”	Within the total limit of USD 25 billion for non-infrastrcuture sector	FIIs	-	No Lock-in period, No residual maturity requirements; No original maturity restriction.
(B) Non-Infrastructure limit for Qualified Foreign Investors (QFIs)				
Listed NCDs, listed bonds, listed units of mutual funds debt schemes, “to be listed corporate bonds”	USD 1 billion	QFIs	-	No lock-in period and no residual maturity requirements; No original maturity restriction.
(C) **Infrastructure Sector**				
Listed NCDs/ bonds, NCDs/ bonds of	USD12 billion	FIIs	Indian companies in	No lock-in period

Instrument	Limit	Investor	Conditions	Remarks
NBFC-IFC and unlisted NCDs/ bond in infrastructure sector	(within the total limit of USD 25 billion)		infrastructure sector – infrastructure as defined in the ECB guidelines and Non Banking Financial Companies (NBFCs) defined as IFCs	requirement; Residual maturity at the time of first purchase fifteen months; No original maturity restriction.
Corporate debt – non-convertible debentures/ bonds, non-convertible debentures/ bonds of NBFCs-IFC, Units of Domestic Mutual fund Debt schemes	USD 3 billion (within the total limit of USD 25 billion)	QFIs	NBFCs defined as IFCs - MF schemes that hold at least 25% of debt or equity or both in mutual funds in infra	No lock in period requirement. Original maturity of 3 years;
IDF – Rupee bonds/units registered as NBFC or Mutual Funds	USD 10 billion (within the total limit of USD 25 billion) [investment by NRI not subject to this limit]	FIIs, NRIs, SWFs, Multilateral Agencies, Pension/ Insurance/ Endowment Funds, HNIs registered with SEBI, sub-account of FII or IDF	Infrastructure as defined in the ECB guidelines IDFs set up as NBFCs may invest in debt securities of PPP infra projects and should have completed one year of commercial operations; IDFs set up as Mutual Funds would invest 90% in debt	No lock-in period requirement ; Residual maturity at the time of first purchase fifteen months; No original maturity restriction.

Instrument	Limit	Investor	Conditions	Remarks
			securities of infra companies/ SPV	

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

6. Reserve Bank of India has since amended the relevant Regulations and notified vide Notification No.FEMA.255/2013-RB dated January 19, 2013.

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,

(Rudra Narayan Kar)
Chief General Manager