



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

www.rbi.org.in

RBI/2024-25/72

CO.FMRD.FMIA.No.S242/11-01-051/2024-2025

August 29, 2024

To

All Eligible Market Participants

Madam / Sir

Scheme for Trading and Settlement of Sovereign Green Bonds in the International Financial Services Centre in India

Please refer to Paragraph 1 of the [Statement on Developmental and Regulatory Policies](#) announced as a part of the [Bi-monthly Monetary Policy Statement for 2024-25 dated April 05, 2024](#), on the issuance of a scheme for investment and trading in Sovereign Green Bonds (SGRBs) by eligible foreign investors in the International Financial Services Centre (IFSC) in India.

2. The Scheme for trading and settlement of SGRBs in the IFSC in India (the "Scheme") is enclosed at [Annex](#). Necessary amendments to the [Foreign Exchange Management \(Debt Instruments\) Regulations, 2019 \(Notification No. FEMA 396/2019-RB dated October 17, 2019\)](#) have been notified vide [Foreign Exchange Management \(Debt Instruments\) \(Third Amendment\) Regulations, 2024 \(Notification No. FEMA.396\(3\)/2024-RB dated August 02, 2024\)](#) published in the Gazette of India on August 07, 2024.

3. The Scheme shall come into force with immediate effect. The operational guidelines for participation in the Scheme by entities in IFSC shall be issued by the IFSC Authority.

Yours faithfully,

(Dimple Bhandia)
Chief General Manager

Scheme for Trading and Settlement of Sovereign Green Bonds in the International Financial Services Centre in India

The Reserve Bank of India (hereinafter called 'the Reserve Bank'), hereby, introduces the 'Scheme for Trading and Settlement of Sovereign Green Bonds in the International Financial Services Centre (IFSC) in India' (hereinafter referred to as 'Scheme') in exercise of the powers conferred under Section 45W of the Reserve Bank of India Act, 1934 (hereinafter called 'the Act') read with Section 45U of the Act and of all the powers enabling it in this behalf. A reference is also invited to the Foreign Exchange Management Act, 1999 (42 of 1999), Government Securities Act, 2006, Foreign Exchange Management (Debt Instruments) Regulations, 2019 notified, *vide* [Notification No. FEMA. 396/2019-RB dated October 17, 2019](#), and as amended from time to time. The details of the Scheme are as under:

1. Scope

The Scheme shall apply to investments in Sovereign Green Bonds issued by the Government of India by eligible investors in the IFSC in India.

2. Definitions

(a) For the purpose of this Scheme, unless the context otherwise requires:

- (i) **Authorised depository** shall mean any depository operating in the IFSC that is authorised by the International Financial Services Centres Authority (IFSCA) to participate in the Scheme.
- (ii) **Authorised clearing corporation** shall mean any clearing corporation operating in the IFSC that is authorised by IFSCA to participate in the Scheme.
- (iii) **Back-to-back arrangement** shall mean an arrangement under which an eligible IFSC Banking Unit (IBU) undertakes a transaction in eligible securities under this Scheme with an eligible investor and, in turn, enters into an off-setting transaction with its parent bank in India in case of an IBU of an Indian bank or with the branch / subsidiary in India of its parent bank in case of an IBU of a foreign bank.

- (iv) **Beneficial owner** shall have the meaning assigned in Section 2(fa) of the Prevention of Money Laundering Act, 2002, as amended from time to time.
- (v) **Constituents' Subsidiary General Ledger (CSGL)** account shall have the meaning assigned in Section 2(d) of the Government Securities Act, 2006, as amended from time to time.
- (vi) **IFSC Banking Unit (IBU)** shall mean a banking unit set up in the IFSC.
- (vii) **High-Risk jurisdictions subject to a Call for Action** shall mean the countries or jurisdictions identified as such by the Financial Action Task Force (FATF).
- (viii) **Over-the-Counter (OTC) markets** shall mean markets where transactions are undertaken in any manner other than on stock exchanges and shall include transactions undertaken on electronic trading platforms authorised by IFSCA.
- (ix) **Subsidiary General Ledger (SGL)** account shall mean an account opened and held with the Reserve Bank in terms of Section 4 of the Government Securities Act, 2006, for holding or / and transacting in Government Securities.
- (x) **Value Free Transfer (VFT)** of Government Securities shall have the meaning assigned in the [Reserve Bank Notification No. 108 dated October 5, 2021](#), on 'Value Free Transfer (VFT) of Government Securities – Guidelines', as amended from time to time.

(b) Words and expressions used but not defined in the Scheme shall have the meaning assigned to them in the Reserve Bank of India Act, 1934, Foreign Exchange Management Act, 1999 and Government Securities Act, 2006 or the rules and regulations made thereunder.

3. Eligible investors

(a) The following persons will be eligible to participate in the Scheme (hereinafter referred to as 'investors') as specified in para 6(a):

- (i) Persons resident outside India as defined in Section 2(w) of the FEMA, 1999, that are eligible to invest in the IFSC, as specified by IFSCA, and are not

incorporated in High-Risk Jurisdictions subject to a Call for Action as identified by FATF; and

(ii) An IBU of a foreign bank which does not have a branch or subsidiary licensed to undertake banking business in India.

(iii) Persons resident outside India as treated under [Foreign Exchange Management \(International Financial Services Centre\) Regulations, 2015](#), that are eligible to invest in the IFSC, as specified by IFSCA, and are not incorporated in High-Risk Jurisdictions subject to a Call for Action as identified by FATF provided that such persons are not a branch, joint venture, subsidiary or trust of an entity incorporated in India.

However, funds / schemes, including the ones setup by entities incorporated in India, regulated by IFSCA under the IFSCA (Fund Management) Regulations, 2022 shall be considered as eligible investors under the Scheme.

4. Participation of Eligible IBUs

An IBU of a bank in India and an IBU of a foreign bank, provided that the foreign bank has a branch or subsidiary licensed to undertake banking business in India shall be eligible to participate in the Scheme (hereinafter referred to as 'eligible IBU') as specified in para 6(b).

5. Eligible securities

Sovereign Green Bonds issued by the Government of India (hereinafter referred to as 'securities') shall be eligible for investment under the Scheme subject to the following conditions:

(i) Investments in Sovereign Green Bonds that are designated as 'specified securities' under the Fully Accessible Route (FAR) shall be governed by the provisions of the Directions [A.P. \(DIR Series\) Circular No. 25 dated March 30, 2020](#), as amended from time to time; and

(ii) Investments in the Sovereign Green Bonds other than those designated as 'specified securities' under the FAR shall be reckoned under the investment limits prescribed for Foreign Portfolio Investors (FPI), vide [A.P. \(DIR Series\) Circular No. 03 dated April 26, 2024](#), as amended from time to time, and subject

to conditions prescribed for investments by FPIs in [A.P. \(DIR Series\) Circular No.31 dated June 15, 2018](#), as amended from time to time.

6. Scheme details

(a) Investors can participate in the primary auctions of securities undertaken by the Reserve Bank and transact in the secondary market for securities in the IFSC, as per the terms and conditions defined in the Scheme.

(b) Eligible IBUs are not permitted to participate in the primary auctions under the Scheme. Eligible IBUs can undertake transaction in the secondary market as per the terms and conditions defined in the Scheme.

(c) For operationalising the Scheme,

(i) The authorised depository and the authorised clearing corporation(s) shall each open a CSGL account and a current account with the Reserve Bank; and

(ii) The authorised depository and the authorised clearing corporation(s) may open an INR account with a commercial bank in India.

(iii) The authorised depository and authorised clearing corporation(s) shall abide by the ['Constituents' Subsidiary General Ledger Account: Eligibility Criteria and Operational Guidelines' dated September 22, 2021](#), as amended from time to time, issued by the Reserve Bank. Any failure to do so shall attract appropriate action by the Reserve Bank including imposition of penalty under Section 30 of the Government Securities Act, 2006.

(iv) The authorised depository and authorised clearing corporation(s) shall also abide by the applicable terms and conditions for opening of the current account, as may be specified by the Reserve Bank.

7. Participation in primary market

Participation by investors in the primary auctions of securities conducted by the Reserve Bank shall be in terms of the following:

(i) Investors desirous of participating in the auction of securities conducted by the Reserve Bank shall submit competitive bids in the primary auction through the authorised clearing corporation(s).

- (ii) For the purpose, the authorised clearing corporation(s) shall act as an aggregator / facilitator and submit bids on the basis of firm orders from investors on the Reserve Bank's Core Banking Solution (E-Kuber) system or any other platform / system as may be notified by the Reserve Bank in this regard.
- (iii) Such bids shall be submitted on the day of the auction during the time window notified in the specific notification issued by the Government of India.
- (iv) The authorised clearing corporation(s) shall ensure that its current account with the Reserve Bank is funded at the start of the day on the settlement date of the primary auction so as to meet the settlement obligations arising from subscriptions in the primary auction by the investors. Any failure to meet the settlement obligations shall be treated as an instance of 'SGL bouncing' in terms of [RBI circular "Government Securities Act, 2006, Sections 27 and 30 - Imposition of penalty for bouncing of SGL forms" dated July 14, 2010](#), as amended from time to time, and will be subjected to the applicable penal provisions, as specified therein.
- (v) On settlement, the securities allotted to the investors will be credited to the CSGL account of the authorised clearing corporation(s) on the settlement date. The authorised clearing corporation(s) shall undertake VFTs to credit the allotted securities to the CSGL account of the authorised depository on the same day. The authorised depository shall ensure that the securities are credited to the demat / securities account of the investors on the same day. The VFTs shall be subject to the terms and conditions contained in the [Reserve Bank Notification No. 108 dated October 5, 2021](#), on 'Value Free Transfer (VFT) of Government Securities – Guidelines', as amended from time to time.
- (vi) Participation of the investors in the primary auction shall be subject to the terms and conditions contained in the [General Notification F.No.4\(2\)-W&M/2018, dated March 27, 2018](#), as amended from time to time, and specific notifications issued by the Government of India.

8. Participation in secondary market

Secondary market transactions in securities undertaken in the IFSC shall be subject to the following:

A. Eligible transactions

Investors can trade in the secondary market in the IFSC with other investors and with eligible IBUs. Transactions between two eligible IBUs shall not be undertaken.

B. Trading procedure

- (i) Securities maintained by investors with the authorised depository will be available for trading in the OTC markets in the IFSC.
- (ii) The trading hours for securities shall be from 09:00 hours to 17:00 hours IST, or as specified by the Reserve Bank from time to time.
- (iii) The settlement cycle for trades in securities shall be T+1 or T+2 where T represents the trade date.
- (iv) Eligible IBUs can trade with investors under this Scheme subject to the following:
 - I. Such transaction shall be undertaken on a 'back-to-back' arrangement. The transaction between an eligible IBU and its parent bank / branch or subsidiary in India of the parent bank, shall be for due consideration (for value transfer).
 - II. The two legs of the back-to-back transaction shall be undertaken on the same date and the eligible IBUs shall not maintain any overnight open securities position. In case of any open securities position arising on any account including settlement failure or unwinding of trades with investors, the eligible IBU shall reverse the trade with its parent bank or branch / subsidiary in India of the parent bank on a T+0 settlement basis so as to close out any open securities position.

C. Settlement process

- (i) **Transactions between two investors or between an investor and an eligible IBU**
 - I. Transactions between two investors or between an investor and an eligible IBU shall be settled as per the clearing arrangement approved by the IFSCA, as per the rules and procedures as may be specified by the IFSCA.

- II. Settlement of securities in case of the above transactions shall take place in the books of the authorised depository. The fund leg of such transactions shall be settled in foreign currency.

(ii) Transactions between an eligible IBU and its parent bank / branch or subsidiary in India of its parent bank

- I. Transactions between an IBU of an Indian bank with its parent bank and between an IBU of a foreign bank with the branch or subsidiary in India of its parent bank shall be settled on bilateral basis.
- II. The transfer of securities in case of the above transactions shall be facilitated by the Clearing Corporation of India Limited (CCIL) from / to the SGL account of parent bank or branch / subsidiary of parent bank in India to / from the CSGL account of the authorised depository.
- III. The fund leg in case of such transactions shall be settled in foreign currency.

9. Coupon payment and redemption

(a) All coupon payments and redemption proceeds in respect of the securities held in the CSGL account of the authorised depository shall be credited to the current account of the authorised depository maintained with the Reserve Bank on the due date. The authorised depository, in turn, shall credit the coupon and redemption proceeds to the accounts of the investors on the same day / for the same value date, after deduction of applicable taxes.

(b) Under exceptional circumstances, as determined by IFSCA, the authorised depository may credit the coupon and redemption proceeds to the accounts of the investors on the next working day. The credit of the coupon and redemption proceeds to the accounts of the investors on a date later than the due date will be subject to a specific agreement in this regard entered into by the authorised depository with the investors and will be without recourse to the Government of India or the Reserve Bank.

10. Other conditions

(a) Investors shall not be permitted to repackage or write any derivative instrument on underlying securities held by them under the Scheme. Investors shall also not be permitted to undertake repo transactions in such securities.

(b) Investors which are also eligible to participate in the domestic market shall not be permitted to shift their securities to / from their onshore gilt / demat account from / to their demat / securities account in the IFSC.

11. Guidelines for Know Your Customer (KYC) / Anti-Money Laundering (AML)

The KYC verification / due diligence of investors shall be undertaken as per the rules and procedures prescribed by the IFSCA.

12. Data management

(a) All data relating to activities / transactions under this Scheme shall be maintained by the authorised depository and authorised clearing corporation(s) in easily retrievable media for at least ten years from the date of transaction. Without prejudice to the minimum requirement for storage of data, the data sought for any examination by the Reserve Bank or any other authority as required under Indian laws or regulations shall be maintained for three years from the date of completion of the investigation.

(b) The authorised depository and the authorised clearing corporation(s) shall ensure strict confidentiality, privacy and security of all data.

(c) The authorised depository and the authorised clearing corporation(s) shall ensure adherence to any other law or regulations regarding preservation and protection of data notified from time to time.

13. Reporting requirements

(a) All secondary market transactions between eligible participants in IFSC shall be reported by the authorised depository and / or authorised clearing corporation(s) to CCIL or any other agency as may be specified by the Reserve Bank in the manner and format specified by the Reserve Bank. The authorised depository and/or the authorised clearing corporation(s) shall report such transactions at the earliest and no later than three hours after the close of trading hours for the securities.

(b) Transactions between an IBU of an Indian bank with its parent bank and between an IBU of a foreign bank with the branch or subsidiary in India of its parent bank shall be reported by the Indian bank or the branch or subsidiary in India of the foreign bank to CCIL or any other agency as may be specified by the Reserve Bank in the manner and format specified by the Reserve Bank. Such transactions shall be

reported at the earliest and no later than three hours after the close of trading hours for the securities.

(c) An end of day statement of holdings shall be submitted by the authorised depository to the Reserve Bank, or any other agency specified by the Reserve Bank, in a manner and format as may be specified by the Reserve Bank.

(d) The authorised depository shall also submit the details of the beneficial owners, based on the information requested and provided by investors relating to their holdings, to the Reserve Bank in a manner, format and periodicity as may be specified by the Reserve Bank.

(e) The authorised depository and the authorised clearing corporation(s) shall submit to the Reserve Bank any other information related to transactions available with the authorised depository and the authorised clearing corporation(s) or provided by their clients as may be required by the Reserve Bank and in the format and within the timeframe prescribed.

(f) The Reserve Bank shall be kept informed of any material event resulting in disruptions in the settlement of securities or any instances of market abuse without undue delay.

14. Dissemination

(a) Investment by investors under the Scheme shall be reckoned based on the balances in the CSGL accounts maintained by the authorised depository on an end-of-day basis. This information may be published by the Reserve Bank, CCIL or any other agency authorised by the Reserve Bank.

(b) The Reserve Bank or any other agency authorised by it may publish any anonymised trade data related to transactions under this Scheme. The Reserve Bank may also share the information pertaining to such transactions with the Government / law enforcing agencies / regulators in India or other jurisdictions, as necessary.

15. Taxation

The applicable taxes will be as decided by the Government of India, from time to time.

16. Applicability of other laws, directions, regulations or guidelines

Eligible participants under this Scheme shall be governed by all other applicable provisions of Government Securities Act, 2006, Foreign Exchange Management Act, 1999 and the rules, regulations and directions issued thereunder by the Reserve Bank from time to time, unless otherwise specified.