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Survey of Foreign Liabilities and Assets of Mutual Fund Companies – 2016-17

Today, the Reserve Bank released the results of the 2016-17 round of the *Survey of Foreign Liabilities and Assets of the Mutual Fund (MF) Companies* on its website. The survey covers 44 Indian MF companies and their Asset Management Companies (AMCs), which held/acquired foreign assets and/or liabilities during the reference year 2016-17 and/or in the preceding year (See [Annex](#) for list of companies). The financial year-end position was collected from MFs through [Schedule 4](#) in respect of units issued to non-residents, unpaid dividend, redemption of units issued to non-residents and MFs' overseas investments. Information on the stock of external assets and liabilities of the AMCs were collected through the [Annual Return on Foreign Liabilities and Assets \(FLA\)](#).

Highlights:

I. Mutual Fund Companies:

- Foreign liabilities of MF companies stood at ₹ 719.8 billion in March 2017 of which units issued to non-residents accounted for 99.8 per cent. The remaining liabilities included unpaid income/dividends to non-residents and sale proceeds pending repatriation.
- Large valuation changes caused a surge in foreign liabilities of MFs during 2016-17, with the rise in the market value of units (23.6 per cent) far exceeding the growth in their face value (4.0 per cent). As a result, the ratio of *market value to face value of liabilities* increased to 2.66 in March 2017 from 2.24 a year ago, indicating valuation gains during 2016-17 (Tables 1 & 2).
- Foreign assets of MF companies (mainly equity securities) amounted to ₹ 38.7 billion in March 2017, which was only 5.4 per cent of their foreign liabilities, indicating that they held most of their assets within the country. The net foreign liabilities of MF companies stood at ₹ 681.1 billion (US\$ 10.5 billion) in March 2017 (Tables 1 & 3).
- UAE, Singapore, UK, USA and Mauritius together accounted for nearly half of the MF Units held by non-residents in March 2017. Units held in Mauritius recorded a 48 per cent decline, coinciding with the signing of the Protocol to amend the *India-Mauritius Double Taxation Avoidance Agreement (DTAA)* during 2016-17 (Tables 4 & 5).
- USA and Luxembourg remained the major overseas investment destinations for MFs companies (Table 6).

II. Asset Management Companies:

- AMCs associated with MFs had net foreign liabilities of ₹ 52.4 billion (US\$ 0.8 billion) in March 2017 (liabilities of ₹ 56.8 billion and assets of ₹ 4.4 billion). Foreign liabilities of AMCs were largely owed to non-residents in Mauritius, UK and Japan whereas Guernsey was the main destination of their relatively small overseas assets (Tables 7, 8 & 9).
- The *reinvested earnings* of foreign direct investors in the AMCs (estimated from their share in the difference between a company's net profit and distributed dividends) stood at ₹ 5.3 billion in 2016-17 (₹ 5.4 billion in the previous year).

The results of the previous survey round for the year 2015-16 was placed in the public domain vide [press release dated August 4, 2016](#).

Press Release: 2017-2018/635

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Table 1: Mutual Fund Companies – Foreign Liabilities and Assets					
Item	End-March 2016		End-March 2017		% Growth (₹ terms)
	₹ million	US\$ million	₹ million	US\$ million	
(1)	(2)	(3)	(4)	(5)	(6)
Foreign Liabilities	581,678	8,769	719,807	11,117	23.7
Foreign Assets	38,048	574	38,700	597	1.7
Net Liabilities	543,630	8,195	681,107	10,520	22

Notes: 1. The amount in US \$ terms is arrived at by using the RBI reference rate (end-March).

2. Liabilities / Assets are valued at market prices unless stated otherwise.

3. Sum of constituent items may not add up to total due to rounding off.

4. These are also applicable for the remaining tables.

Table 2: Mutual Fund Companies – Non-Resident Holding of Foreign Liabilities					
Item	End-March 2016		End-March 2017		% Growth (₹ terms)
	₹ million	US\$ million	₹ million	US\$ million	
(1)	(2)	(3)	(4)	(5)	(6)
Face Value of Units	259,440	3,911	269,801	4,167	4.0
Market Value of Units	581,214	8,762	718,427	11,096	23.6
Other Foreign Liabilities	464	7	1,380	21	197.4

Table 3: Mutual Fund Companies – Foreign Assets					
Item	End-March 2016		End-March 2017		% Growth (₹ terms)
	₹ million	US\$ million	₹ million	US\$ million	
(1)	(2)	(3)	(4)	(5)	(6)
Equity Securities	37,870	571	38,551	595	1.8
Debt Securities	0	0	0	0	0
Other Foreign Assets	178	3	149	2	-16.3

Table 4: Foreign Liabilities in Units of Mutual Fund Companies at Face Value – Major Countries					
Country	End-March 2016	End-March 2017	% Share in 2017	Amount in ₹ million	
				Annual Variation	
				Absolute	per cent
(1)	(2)	(3)	(4)	(5)	(6)
United Arab Emirates	44,319	48,470	18.0	4,151	9.4
Singapore	24,039	28,215	10.5	4,176	17.4
United Kingdom	21,654	25,003	9.3	3,349	15.5
United States of America	16,859	19,362	7.2	2,503	14.8
Mauritius	20,105	10,482	3.9	-9,623	-47.9
Hong Kong	5,802	6,840	2.5	1,038	17.9
Oman	3,084	4,684	1.7	1,600	51.9
Saudi Arabia	2,866	3,816	1.4	950	33.1
Canada	3,045	3,330	1.2	285	9.4
Kenya	3,105	3,161	1.2	56	1.8
Others	114,562	116,438	43.2	1,876	1.6
Total	259,440	269,801	100.0	10,361	4.0

Table 5: Foreign Liabilities in Units of Mutual Fund Companies at Market Value – Major Countries					
Amount in ₹ million					
Country	End-March 2016	End-March 2017	% Share in 2017	Annual Variation	
				Absolute	per cent
(1)	(2)	(3)	(4)	(5)	(6)
United Arab Emirates	86,244	113,436	15.8	27,192	31.5
Singapore	57,964	72,248	10.1	14,284	24.6
United States of America	46,758	65,349	9.1	18,591	39.8
United Kingdom	42,785	57,690	8.0	14,905	34.8
Mauritius	53,574	50,409	7.0	-3,165	-5.9
Hong Kong	11,046	15,116	2.1	4,070	36.8
Oman	6,854	12,281	1.7	5,427	79.2
Canada	10,067	11,945	1.7	1,878	18.7
Saudi Arabia	5,951	9,812	1.4	3,861	64.9
Kuwait	4,774	7,519	1.0	2,745	57.5
Others	255,197	302,622	42.1	47,425	18.6
Total	581,214	718,427	100.0	137,213	23.6

Table 6: Equity Securities held Abroad by Mutual Fund Companies – Major Countries					
Amount in ₹ million					
Country	End-March 2016	End-March 2017	% Share in 2017	Variation	
				Absolute	per cent
(1)	(2)	(3)	(4)	(5)	(6)
United States Of America	14,947	17,141	44.5	2,194	14.7
Luxembourg	18,545	16,614	43.1	-1,931	-10.4
Cayman Islands	871	947	2.5	76	8.7
Switzerland	608	674	1.7	66	10.9
Korea, Republic of	553	585	1.5	32	5.8
Taiwan	404	503	1.3	99	24.5
Ireland	273	286	0.7	13	4.8
Brazil	506	265	0.7	-241	-47.6
Japan	287	253	0.7	-34	-11.8
United Arab Emirates	0	224	0.6	---	---
Others	876	1,059	2.7	183	20.9
Total	37,870	38,551	100.0	681	1.8

Table 7: Foreign Liabilities and Assets of Asset Management Companies					
Item	End-March 2016		End-March 2017		% Growth (₹ terms)
	₹ million	US\$ million	₹ million	US\$ million	
(1)	(2)	(3)	(4)	(5)	(6)
Foreign Liabilities	45,396	684	56,777	877	25.1
Foreign Assets	3,824	58	4,352	67	13.8
Net Liabilities	41,572	626	52,425	810	26.1

Table 8: Foreign Liabilities of Asset Management Companies – Major Countries					
Amount in ₹ million					
Country	End-March			Variation	
	2016	2017	% Share in 2017	Absolute	per cent
(1)	(2)	(3)	(4)	(5)	(6)
Mauritius	9,683	14,717	25.9	5,034	52.0
United Kingdom	11,831	14,000	24.7	2,169	18.3
Japan	7,413	8,114	14.3	701	9.5
Canada	4,068	4,856	8.6	788	19.4
Hong Kong	2,194	3,713	6.5	1,519	69.2
Singapore	3,373	3,176	5.6	-197	-5.8
France	2,334	2,853	5.0	519	22.2
United States of America	1,525	2,019	3.6	494	32.4
Korea, Republic of	1,278	1,399	2.5	121	9.5
Cayman Islands	737	806	1.4	69	9.4
Netherlands	620	700	1.2	80	12.9
Others	340	424	0.7	84	24.7
Grand Total	45,396	56,777	100	11,381	25.1

Table 9: Foreign Assets of Asset Management Companies – Major Countries					
Amount in ₹ million					
Country	End-March			Variation	
	2016	2017	% Share in 2017	Absolute	Per cent
(1)	(2)	(3)	(4)	(5)	(6)
Guernsey	2,426	2,956	67.9	530	21.8
Singapore	360	383	8.8	23	6.4
Mauritius	245	265	6.1	20	8.2
United Arab Emirates	52	46	1.1	-6	-11.5
Sri Lanka	4	4	0.1	0	0.0
Others	737	698	16.0	-39	-5.3
Grand Total	3,824	4,352	100.0	528	13.8