

## **RBI/2011-12/244 A.P. (DIR Series) Circular No. 42**

November 03, 2011

### **Foreign investment in India by SEBI registered FIIs in other securities**

Attention of Authorized Dealer Category-I (AD Category-I) banks is invited to A.P.(DIR Series) Circular No.55 dated April 29, 2011, in terms of which the limit for FII investment in non-convertible debentures / bonds issued by Indian companies in the infrastructure sector was enhanced from USD 5 billion to USD 25 billion. This was subject to the conditions that such instruments shall have a residual maturity of five years and above, the investments would have a lock-in-period of three years and 'infrastructure' would be as defined under the extant External Commercial Borrowings (ECB) policy. Attention of the AD Category-I banks is also invited to A.P. (DIR Series) Circular No.8 dated August 9, 2011, in terms of which Qualified Foreign Investors as defined therein (QFIs) were allowed to invest in units of Mutual Funds debt schemes upto a limit of USD three billion within the overall limit of USD 25 billion for FII investment in non-convertible debentures / bonds issued by Indian companies in the infrastructure sector.

2. On a review it has been decided as under :

- i) FIIs would also be allowed to invest in non-convertible debentures / bonds issued by Non-Banking Financial Companies categorized as 'Infrastructure Finance Companies'(IFCs) by the Reserve Bank of India within the overall limit of USD 25 billion.
- ii) The lock-in-period of three years for FII investment stands reduced to one year up to an amount of USD 5 billion within the overall limit of USD 25 billion. This lock-in-period shall be computed from the time of first purchase by FIIs.
- iii) The residual maturity of five years and above stipulated would now onwards refer to the original maturity of the instrument at the time of first purchase by an FII.
- iv) The above changes at (i) and (iii) above would also apply for QFI investment in units of Mutual Fund debt schemes within the limit of USD three billion.

3. Necessary amendments to the Foreign Exchange Management (Transfer of Issue of Security by a Person Resident outside India) Regulations, 2000 notified vide Notification No. FEMA 20/2000-RB dated May 3, 2000 are being notified separately.

4. AD Category - I banks may bring the contents of the circular to the notice of their constituents.

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.

**(Meena Hemachandra)**  
**Chief General Manager-in- Charge**