

## **SEBI BOARD MEETING - SEBI (FOREIGN PORTFOLIO INVESTORS) REGULATIONS, 2013**

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The SEBI Board met in Mumbai today and took the following decisions:

### **SEBI (FOREIGN PORTFOLIO INVESTORS) REGULATIONS, 2013**

The Board considered and approved the draft SEBI (Foreign Portfolio Investors) Regulations, 2013.

The SEBI (Foreign Portfolio Investors) Regulations, 2013 have been framed keeping in view the provisions of SEBI (Foreign Institutional Investors) Regulations, 1995, Qualified Foreign Investors (QFIs) framework and the recommendations of the "Committee on Rationalization of Investment Routes and Monitoring of Foreign Portfolio Investments".

The salient features of the SEBI (Foreign Portfolio Investors) Regulations, 2013 are as under:

#### **A. Foreign Portfolio Investors (FPIs):**

- 1.** Existing FIIs, Sub Accounts and Qualified Foreign Investors (QFIs) shall be merged into a new investor class termed as "FPIs".
- 2.** SEBI approved Designated Depository Participants (DDPs) shall register FPIs on behalf of SEBI subject to compliance with KYC requirements. The Board also took note of the fact that instructions regarding risk-based KYC for FPIs have already been issued by SEBI on September 12, 2013.
- 3.** FPI shall be required to seek registration in any one of the following categories:
  - (a) "Category I Foreign Portfolio Investor" which shall include Government and Government related foreign investors etc;
  - (b) "Category II Foreign Portfolio Investor" which shall include appropriately regulated broad based funds, appropriately regulated entities, broad based funds whose investment manager is appropriately regulated, university funds, university related endowments, pension funds etc;
  - (c) "Category III Foreign Portfolio Investor" which shall include all others not eligible under Category I and II foreign portfolio investors.
- 4.** All existing FIIs and Sub Accounts may continue to buy, sell or otherwise deal in securities under the FPI regime.
- 5.** All existing Qualified Foreign Investors (QFIs) may continue to buy, sell or otherwise deal in securities till the period of one year from the date of notification of this regulation. In the meantime, they may obtain FPI registration through DDPs.
- 6.** The registration granted to FPIs by the DDPs on behalf of SEBI shall be permanent unless suspended or cancelled by SEBI.
- 7.** FPIs shall be allowed to invest in all those securities, wherein Foreign Institutional Investors (FIIs) are allowed to invest.
- 8.** Category I and Category II FPIs shall be allowed to issue, or otherwise deal in offshore derivative instruments (ODIs), directly or indirectly. However, the FPI needs to be satisfied that

such ODIs are issued only to persons who are regulated by an appropriate foreign regulatory authority after ensuring compliance with 'know your client' norms.

**B. Designated Depository Participants (DDPs):**

**9.** DDP shall be an Authorized Dealer Category-1 bank authorized by Reserve Bank of India, Depository Participant and Custodian of Securities registered with SEBI.

**10.** Depository shall forward the application of DDP along with its recommendation to SEBI for grant of approval.

**11.** SEBI registered Custodian of Securities shall be deemed to be DDP subject to payment of fees as prescribed in the regulations.

**12.** SEBI approved Qualified Depository Participant not meeting the DDP eligibility criteria may operate as DDP for a period of one year.

**13.** DDPs shall carry out necessary due diligence and obtain appropriate declarations and undertakings before registering FPIs.