

FEMA

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Investment by Foreign Portfolio Investors (FPI) in Debt

A.P. (DIR Series) Circular No.18 dated January 23, 2020

In terms of paragraph 4(b)(i) of the A.P. (DIR Series) Circular No. 31 dated June 15, 2018 (Directions), presently limit for short-term investments by an FPI is 20% of the total investment of that FPI in either Central Government Securities (including Treasury Bills) or State Development Loans. This limit is increased from 20% to 30%.

In terms of paragraph 4(b)(ii) of the Directions, presently limit for short-term investments by an FPI is 20% of the total investment of that FPI in corporate bonds. This is increased from 20% to 30%.

FPI investments in Security Receipts are currently exempted from the short-term investment limit (paragraph 4(b)(ii)) and the issue limit (paragraph 4(f)(iii)). These exemptions shall also extend to FPI investments in the following securities:

- (i) Debt instruments issued by Asset Reconstruction Companies; and
- (ii) Debt instruments issued by an entity under the Corporate Insolvency Resolution Process as per the resolution plan approved by the National Company Law Tribunal under the Insolvency and Bankruptcy Code, 2016

Relaxations in Voluntary Retention Route for Investment in Debt Markets by Foreign Portfolio Investors

A.P. (DIR Series) Circular No. 19 dated January 23, 2020

RBI vide A.P. (DIR Series) Circular No. 34 dated May 24, 2019 had introduced, separate channel called “Voluntary Retention Route” (VRR) to enable FPIs to invest in debt markets in India. RBI has now made following amendment to the said circular:

- (a) Investment cap is increase to Rs. 1,50,000 crores from Rs. 75,000 crores.
- (b) FPIs that have been allotted investment limits under VRR, at their discretion are allowed to transfer their investments made under General Investment Limited to VRR.
- (c) FPIs are now also allowed to invest in Exchange Traded Funds that invests only in debt instruments.

Revised guidelines for Merchanting Trade Transactions (MTT)

A.P. (DIR Series) Circular No.20 dated January 23, 2020

With a view to further facilitate merchanting trade transactions, RBI has reviewed and revised the existing guidelines relating to MTT issued vide A.P. (DIR Series) Circular No.115 dated March 28, 2014.

The revised guidelines may be referred at

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11799&Mode=0>