



भारतीय प्रतिभूति और विनियम बोर्ड Securities and Exchange Board of India

CONSULTATION PAPER **ON EASING OF ACCESS NORMS FOR INVESTMENT BY FPIs.**

A. OBJECTIVE:

To solicit the comments/views from general public on the proposals contained in this consultation paper, which may warrant amendments to SEBI (Foreign Portfolio Investors) Regulations, 2014 and Circulars/Guidelines etc. issued thereunder.

B. PROPOSALS:

1. Expansion of eligible jurisdictions for grant of FPI registration to category I FPIs by including countries having diplomatic tie-ups with India and FEMA compliant (Proposed amendments to Regulation 4(b)):

The Regulation 4(b) of FPI Regulations reads as – “...*the applicant is resident of a country whose securities market regulator is a signatory to International Organization of Securities Commission’s Multilateral Memorandum of Understanding (Appendix A Signatories) or a signatory to bilateral Memorandum of Understanding with the Board...*”

Proposal-

In terms of the aforementioned regulations, the applicants eligible to seek registration under Category I are limited to those who are resident of a country whose securities market regulator is either a signatory to IOSCO’s MMoU or has a bilateral MoU with SEBI. Category I entities are essentially Government and related entities or Multilateral agencies and are perceived to be the highest quality and lowest risk investors, with a long term investment horizon generally. Therefore,



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for multilateral agencies, there may not be any requirement to pass jurisdiction check. However, in certain jurisdictions like Canada, there is no separate securities market regulator nationwide but have provincial regulators, which are signatory to IOSCO's MMOU. Thus, from Canada, FPIs can be only from those provinces which are signatory to IOSCO's MMOU (presently four viz. Ontario, Quebec, British Columbia & Alberta). Accordingly, residents of other provinces are not eligible to seek registration as an FPI and make investments in Indian securities market. Incidentally, there is no such requirement for the strategic investor investing under FDI route.

In view of the above, it is proposed that the list of eligible jurisdictions in terms of FPI Regulations for grant of registration to Category I FPIs, may be expanded by also considering those jurisdictions, wherein Government of India has diplomatic tie-up and FEMA compliant jurisdiction, in addition to existing requirements whereby the concerned securities market regulator is required to be a signatory to IOSCO MMoU. Consequently, more jurisdictions such as other provinces in Canada would be able to access the market due to change in FPI Regulations.

Changes proposed-

Regulation 4(b) to be amended as:

“the applicant is resident of a country whose securities market regulator is a signatory to International Organization of Securities Commission’s Multilateral Memorandum of Understanding (Appendix A Signatories) or a signatory to bilateral Memorandum of Understanding with the Board.

Provided further that the applicant shall be considered as eligible for registration under Category I, if, the applicant is resident in a country, which is in compliance



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with extant regulatory framework laid down in FEMA and also has formal diplomatic ties with India (SEBI in consultation with Government of India to notify list of such countries)".

Other eligibility requirements in terms of FPI Regulations for grant of registration shall remain unchanged.

2. Rationalization of fit and proper criteria (Proposed amendments to Regulation 4 & Regulation 23)

Proposal-

Regulations 4 (f) to (j) of FPI Regulations read as follows –

(f) the applicant is legally permitted to invest in securities outside the country of its incorporation or establishment or place of business;

(g) the applicant is authorized by its Memorandum of Association and Articles of Association or equivalent document(s) or the agreement to invest on its own behalf or on behalf of its clients;

(h) the applicant has sufficient experience, good track record, is professionally competent, financially sound and has a generally good reputation of fairness and integrity;

(i) the grant of certificate to the applicant is in the interest of the development of the securities market;

(j) the applicant is a fit and proper person based on the criteria specified in



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Schedule II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008

The requirements to ascertain whether the applicant is “fit and proper” are very broad and generally cover the relevant factors, including the eligibility requirements prescribed under Regulation 4 (f), (g), (h) and (i).

In view of the fact that category I and II FPIs are essentially Government and Regulated entities, it is felt that any additional documentation and procedural requirements under Regulation 4 (f), (g), (h) and (i) may not be required to be applied for such investors.

Accordingly, documentation requirements under Regulation 4 (j) would suffice. However, Category III FPIs shall continue to be subject to specific requirements under Regulation 4 (f), (g), (h), (i) and (j)”.

As per Regulation 4, general obligation for FPI eligibility requirement is on DDPs and not on FPI applicant. While the DDPs shall continue to perform due diligence at the time of processing the registration applications, it is felt that FPIs should also be made obligatory of this eligibility requirement. Accordingly, the eligibility requirement under 4(j) may be made a part of Chapter V - General Obligations and Responsibilities of FPI also.

Changes proposed –

- a. A proviso to be inserted under Regulation 4 clarifying that only Regulation 4 (j) be applicable for Category I and II FPIs and as regards Category III FPIs, Regulation 4 (f), (g), (h), (i) and (j) will continue to be applicable.



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- b. Regulation 4(j) to be added in part of Chapter V - General Obligations and Responsibilities of FPI also.

3. Modification in encumbrance obligation to address statutory requirements (Proposed amendments to Regulation 32(2)(d))

“...(2) The designated depository participant engaged by an applicant seeking registration as foreign portfolio investor shall :-

.....

(d)ensure that equity shares held by foreign portfolio investors are free from all encumbrances...”

Proposal –

DDPs are required to ensure that equity shares held by FPIs are free from all encumbrances. Lien/set-off on investments of FPIs are required for regulatory reasons such as Irrevocable Payment Commitment (IPC), payment of clearing & settlement obligations, custody fees, administrative fees/charges, and as such, these may not be treated as encumbrance for the purpose of this clause.

Changes proposed –

In view of the above, this clause in the FPI Regulations may be modified to read as –

“DDPs are required to ensure that equity shares held by FPIs are free from encumbrances:



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Provided that the obligation (s) created to meet statutory and regulatory requirements will not be considered for this purpose”.

4. Simplification of broad based requirement (Proposed amendments to Explanation 2 to Regulation 5 (b))

Explanation 2 to Regulation 5 (b) of FPI Regulations read as follows –

Explanation 2.-

A) For the purposes of this clause, "broad based fund" shall mean a fund, established or incorporated outside India, which has at least twenty investors, with no investor holding more than forty-nine per cent of the shares or units of the fund:

Provided that if the broad based fund has an institutional investor who holds more than forty nine per cent of the shares or units in the fund, then such institutional investor must itself be a broad based fund.

Proposal –

It has been brought to the notice of SEBI that that some of fund applicants desirous of seeking registration as an FPI are open-ended funds and, as such, are always open for subscription and redemption by investors. Accordingly, at times due to reasons such as redemption by existing investors, portfolio rebalancing etc., the number of investors in that fund may go below 20 and thus, the fund ceases to satisfy the broad based criteria in terms of FPI Regulations. SEBI had given clarification that in case an FPI applicant has a bank as an underlying investor, then such FPI shall be deemed to be broad based for the purpose of Regulation



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5(b) of the FPI Regulations. It is now proposed that this rationale on deemed to be broad based criteria may also be extended in other cases wherein the applicant funds have other institutional investors viz., Sovereign Wealth Fund, Insurance/Reinsurance Companies, Pension Funds, Exchange Traded Funds etc. as their underlying investors. The same may be in conformity with Explanation 2 of Regulation 5 (b) of SEBI (FPI) Regulations, 2014.

Changes proposed –

In view of the above, a proviso to Explanation 2 to Regulation 5 (b) of FPI Regulations may be inserted. Accordingly, it may be read as follows –

Explanation 2.-

A) For the purposes of this clause, "broad based fund" shall mean a fund, established or incorporated outside India, which has at least twenty investors, with no investor holding more than forty-nine per cent of the shares or units of the fund:

Provided that if the broad based fund has an institutional investor who holds more than forty nine per cent of the shares or units in the fund, then such institutional investor must itself be a broad based fund.

Provided further that in case, if an FPI applicant has a Bank, Sovereign Wealth Fund, Insurance/ Reinsurance Companies, Pension Funds, and Exchange Traded Funds as its underlying investor, then such an FPI applicant shall be deemed to be broad based for the purpose of Regulation 5(b) of the FPI Regulations subject to the condition that such underlying investor (s) in the fund shall either individually or jointly hold majority stake in the applicant fund at all times."



5. Rationalization of procedure for submission of PCC/MCV Declarations and Undertakings (D&U) and Investor grouping requirement at the time of continuance of registration of FPIs –

In terms of FAQ 51, at the time of seeking continuance of registration, FPIs are required to re-submit D&U to the effect that it is not Protected Cell Company (PCC) /Multi- class Vehicle (MCV) and information regarding FPI investor groups (along with a confirmation that there is no change in structure).

Considering that PCC/MCV D&U and information regarding FPI investor groups is provided at the time of FPI registration/conversion and the details of the same are recorded in NSDL portal. In case there is no change in the information already submitted, the requirement to re-submit PCC/MCV D&U and information regarding FPI investor groups at the time of continuance be dispensed with. However, DDPs/Custodians will continue to ensure compliance with the KYC due-diligence requirement in terms of the extant regulatory requirements.

The changes proposed in FAQ are as under –

FAQ 51. Is a DDP required to collect Form A from an FPI at the time of payment of registration fee for continuance of its registration as FPI?	
Present Language	Revised Language
<i>In the FII regime, an FII/SA at the time of payment of registration fee for continuance of its registration as FII/SA is not required to submit Form A. However, it is required to provide certain documents namely Declaration and Undertaking as specified in SEBI Circular No.</i>	<i>In the FII regime, an FII/SA at the time of payment of registration fee for continuance of its registration as FII/SA was not required to submit Form A. The same practice shall continue in the FPI regime. Further, FPIs are not required to re-submit 'Declaration and Undertaking' (as specified in the SEBI Circular No.</i>



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<i>CIR/IMD/FIIC/1/ 2010 dated April 15, 2010 and Information regarding FII groups along with a confirmation to the effect that there is no change in structure of the FII and SA as compared to that furnished to SEBI earlier. The same practice shall continue in the FPI regime.</i>	<i>CIR/IMD/FIIC/1/ 2010 dated April 15, 2010) and information regarding FPI investor groups, in case there is no change in the information as compared to that furnished to the DDP earlier.</i>
	<i>DDPs may rely on the specific declaration from the FPI that there is no change in the information, as previously furnished. However, it may be noted that the DDP/Custodians will continue to ensure compliance with the KYC due diligence requirement prescribed by SEBI/RBI and changes therein as may be notified from time to time.</i>

6. Discontinuance of requirements for seeking prior approval from SEBI in case of change in local custodian/DDP

It is reported that majority of the registered FPIs access the Indian securities market through Global Custodians (GCs) wherein they appoint the GC and the GC in turn appoints a local/sub-custodian in India. The GC represents its FPI clients and liaises with the local custodian on behalf of its clients regarding custodial services in India. All post-trade activities of the FPIs in the Indian securities market are conducted through GCs, including account opening, trade settlements etc. Since a GC generally manages a large number of FPI accounts, sometimes it results in transition of large number of FPIs from one local custodian to another. Taking specific request letter from each FPI regarding change of local custodian may create operational and logistical challenges to change local custodian in India.



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Hence, it is proposed to permit the new local custodian/DDP to rely on letter from GC regarding the change in local custodian of its FPI clients provided the transferor local custodian/DDP provides no objection certificate to the transferee local custodian/DDP for change of local custodian. The intimation regarding the change in local custodian/DDP may be sent to the concerned FPI by the transferee local custodian/DDP.

The changes proposed are as under –

Clause 5.4 of Operational Guidelines for DDPs ref. SEBI circular dated January 08, 2014 – Change in DDP/Custodian	
Present language	Revised Language
<i>In case the FPI wishes to change the DDP/Custodian, the request for change shall be intimated to SEBI through the concerned DDP/Custodian. On receipt of no objection from the existing /transferor DDP/Custodian and acceptance from the proposed/ transferee DDP/Custodian, then approval from SEBI shall be sought by concerned FPI.</i>	<i>In case the FPI or its Global Custodian wishes to change the local custodian/DDP, the request for change shall be forwarded to new local custodian/DDP.</i> <i>In case the Global Custodian of FPI wishes to change the local custodian/DDP, then the request for change can be sent by the Global Custodian on behalf of its underlying FPI clients provided such Global Custodian has been explicitly authorized to take such steps by the client.</i>



	<p><i>Upon receipt of no objection from the transferor local custodian/DDP, the transferee local custodian/DDP shall approve the change and intimate SEBI about the change.</i></p> <p><i>In case the request for change in local custodian/DDP is received from Global Custodian, the transferor local custodian/DDP shall inform Compliance Officer of the concerned FPI(s) regarding the change in their local custodian/DDP.</i></p>
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7. Placing reliance on due diligence carried out by erstwhile DDP at the time of change of Custodian/DDP of FPIs

At the time of change of local custodian/DDP by an FPI, the new local custodian/DDP is required to carry out the adequate due diligence requirement to ascertain the eligibility of the FPI. The due diligence by the new DDP on an already registered FPI at the time of change of local custodian/DDP often leads to increased documentation and sometimes delays the transition. It is pertinent to note that the DDPs are required to conduct a due diligence at the time when a registered FPI applies for continuance of its registration every three years from the date of registration.

Accordingly, at the time of change of local custodian/DDP, it is suggested that the new DDP may be permitted to rely on the registration granted by previous DDP at



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the time of transition. This will avoid duplicate efforts and incremental documentation by the FPIs as well as the DDPs. The changes proposed are as under –

Present language (e-mail dated 2 nd July 2015)	Revised Language
<i>With respect to the process of change of Custodian/DDP by an FPI, it is informed that both old (i.e. transferor) as well as new Custodian/DDP (i.e. transferee) shall be required to carry out the adequate due diligence in the process.</i>	<i>With respect to the process of change of local custodian/DDP by an FPI, it is informed that the new DDP (i.e. transferee) can rely on the existing SEBI registration granted by previous DDP (i.e. transferor). However, the new DDP is required to carry out the adequate due diligence at the time when the FPI applies for continuance of its registration on an ongoing basis.</i>

8. Exemption to FPIs having Multiple Investment Managers (MIM) structure from seeking prior approval from SEBI in case of Free of cost transfer of assets –

Free of cost transfer of assets (“FOC”) is permitted wherein the transferor and transferee FPIs have exactly the same beneficial owners. Currently, any requests for FOC by the FPI along with list of securities intended to be transferred are forwarded by DDPs to SEBI for consideration. In order to streamline this with other miscellaneous cases, it is proposed that requests for FOC by FPIs can be processed by DDPs subject to compliance with below requirements:



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FOC request for non-MIM structure such as on account of complex restructuring exercise, merger etc. will be forwarded by DDPs to SEBI for appropriate consideration. The changes proposed in FAQ are as under –

Q 28. Who would consider application for free of cost transfer of assets?	
Present Language	Revised Language
<i>The request for free of cost transfer of assets by the FPI should be forwarded to SEBI for its consideration through the concerned DDP.</i>	<i>The request for free of cost transfer of assets by FPIs registered under the Multiple Investment Managers (MIM) structure may be processed by DDPs. For non-MIM FPIs, the request for free of cost transfer of assets may be forwarded to SEBI through the concerned DDP, for appropriate consideration.</i>

9. Simplification of process for addition of share class –

In case of addition of share classes, the FPIs are required to obtain prior approval from SEBI/DDP. Since the share classes are generally launched in the home jurisdiction of the FPI, the requirement of seeking prior approval sometimes impedes the launch of the new share class and thus impact the fund and its investors.

It is proposed that in a fund where common portfolio is maintained across all share classes, prior approval for addition of share class may not be required. If there is change in structure due to the addition of share class, FPIs are nevertheless required to notify forthwith.



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Further, in cases where segregated portfolios are maintained, FPIs are required to obtain prior approval of SEBI/DDP for addition of share class (one or more). For addition of non-broad based share classes, DDP may obtain an undertaking from the FPI that all the newly added share classes shall attain the broad based status within 180 days from the date of approval issued by the DDP. This shall bring uniformity in the timelines to become broad based in case of simultaneous addition of more than one share class for segregated portfolio. The changes proposed in FAQs are as under –

Q 49. Does every fund / sub fund / share class need to separately fulfil broad based criteria? Is prior approval required for launch of new share class from DDP?	
Present Language	Revised Language
<i>Yes, every fund / sub fund / share class needs to separately fulfil broad based criteria, where segregated portfolio is maintained. In case of addition of classes of shares, the FPI shall be required to obtain prior approval from DDP. For granting of such prior approval, DDPs shall obtain following documents from the FPI applicant: a) A declaration and undertaking with respect to PCC, MCV status as specified in SEBI circular ref. no. CIR/IMD/FIIC/1/ 2010 dated April 15, 2010; b) In cases where segregated portfolios are maintained, Where the newly added share class is already broad</i>	<i>In case common portfolio is maintained across all classes of shares/fund/sub-fund and broad based criteria are fulfilled at portfolio level due to addition of share class, prior approval from DDP is not required. However, in case of segregated portfolio, every fund / sub fund / share class needs to separately fulfil broad based criteria. Further, in case of addition or deletion of classes of shares for segregated portfolio, the FPI shall be required</i>



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<p>based, the FPI will continue to be considered as being broad based.</p> <p>i. Where the newly added share class is not broad based, then an undertaking is to be obtained by the DDP that the newly added share class will become broad based within 90 days from the date of DDP approval letter.</p> <p>ii. In case of simultaneous addition of more than one share class, which are not broad based, then an undertaking is to be obtained by the DDP that all the newly added share classes will become broad based within 15 days from the date of DDP approval letter.</p>	<p>to obtain prior approval from DDP. For granting of such prior approval, DDPs shall obtain declaration and undertaking with respect to PCC, MCV status. Further, in case of addition of one or more than one share class, which are not broad based, an undertaking may be obtained by the DDP that all the newly added share classes shall attain broad based within 180 days from the date of approval issued by DDP.</p>
<p>Q 100. If the prospectus of a fund (registered as FPI) allows for share classes such as various currencies, can such an FPI request for addition of share class for every single iteration/variant of a share-class at one time irrespective of whether it actually launches the share-class or not?</p>	
Present Language	Revised Language
<p><i>It has already been clarified in reply to Q 49 of FAQs that in case of simultaneous addition of more than one share class, which are not broad based, then an undertaking is to be obtained by the DDP that all the newly added share classes will</i></p>	<p><i>It has already been clarified in reply to Q 49 of FAQs that in case of simultaneous addition of more than one share class (where segregated portfolio is maintained), which are not broad based, then an</i></p>



<i>become broad based within 15 days from the date of DDP approval letter. However, where common portfolio is maintained, the approval of launch of share class/variant shall be taken prior to its launch.</i>	<i>undertaking is to be obtained by the DDP that all the newly added share classes will attain broad based status within 180 days from the date of approval issued by DDP.</i>
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10. Permitting FPIs operating under the Multiple Investment Managers (MIM) structure to appoint multiple custodians–

In terms of SEBI FAQ 6 & 103, wherever an entity engages Multiple Investment Managers (MIM structure) it can obtain multiple FPI registrations. However, these applicants are required to appoint the same local custodian and investments made under such multiple registrations are clubbed for the purpose of monitoring of investment limits as per the extant regulatory requirement. Some FPIs have raised concern that by appointing single entity as the local custodian/DDP, they are exposed to higher counter-party risk.

Under the erstwhile FII regime, requirement of same local custodian for MIM accounts was prescribed in order to ensure that investments made under such multiple registrations are clubbed for the purpose of monitoring of investment limits. Considering that FPI applicants are required to provide investor grouping information in the Form “A” while seeking registration and DDP reports the same to the depositories, investments made under such multiple registrations are clubbed for the purpose of investment limits by the depositories. In view of the same, it is proposed that such MIM accounts may be permitted to appoint different local custodians/DDPs. In any case, the depositories (NSDL & CDSL) are required monitor the investment limits of the FPIs.



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The changes proposed in FAQs are as under –

Q 6. Can an entity obtain more than one FPI registration (similar to the one allowed for MIM structures in the FII regime)?	
Present Language	Revised Language
<i>Yes. In the FII regime, wherever an entity engages Multiple Investment Managers (MIM structure) it can obtain multiple registrations with SEBI. These applicants are required to appoint the same local custodian. Further, investments made under such multiple registrations are clubbed for the purpose of investment limits. The same position shall continue in the FPI regime.</i>	<i>Yes. In the FII regime, wherever an entity engages Multiple Investment Managers (MIM structure) it can obtain multiple registrations with SEBI. Further, investments made under such multiple registrations were clubbed for the purpose of monitoring of investment limits. The same position shall continue in the FPI regime. Also, such applicants can appoint different local custodians/DDPs.</i>
Q 103. Can a DDP register proprietary accounts for the purposes of internal segregation (other than for MIM purposes)? Are there any limitations on how many such proprietary FPIs can be registered?	
Present Language	Revised Language
<i>It has already been clarified in reply to Q6 of the FAQs that in the FII regime, wherever an entity engages Multiple Investment Managers (MIM structure) it can obtain multiple registrations with SEBI. These applicants are required to appoint the same local custodian. Further, investments</i>	<i>Please see reply to Q. 6.</i>



<i>made under such multiple registrations are clubbed for the purpose of investment limits. The same position shall continue in the FPI regime.</i>	
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11. Permitting FPIs holding FVCI to appoint multiple custodians–

SEBI vide circular dated June 12, 2015 permitted an FVCI for grant of FPI registration. It was inter alia advised that such an applicant holding FPI & FVCI registration should have same custodian.

SEBI has now received representation that as the limit computation and monitoring is being carried out by the depository, same entities with multiple registrations (such as FPI and FVCI or multiple FPI) may be permitted to use separate custodians to hold assets, which will also provide more flexibility to the entities. Accordingly, in line with the suggestion to permit Multi Managed Structures (MIM accounts) to appoint separate local custodians, it is also proposed to permit different custodians for FPI and FVCI registrations for the same entity.

However, the existing mechanism of monitoring by NSDL to ensure that the aggregate holding by the FPI and FVCI entities that form part of the same investor group is below 10% of the issued share capital as stipulated under the FPI regulations will have to be monitored by the existing monitoring mechanism of NSDL.

To facilitate proper information flow w.r.t. such group accounts to NSDL, the FPIs are proposed to be advised to report details of all other FVCI accounts that share 50% or more of common beneficial ownership to DDP at the time of seeking registration. This information on the group accounts can be passed on NSDL by



the custodian. Similarly FVCI applicants are also proposed to be mandated to provide details of 'group' FPI accounts to SEBI at the time of FPI registration application and this information can be further shared with NSDL by SEBI for monitoring purpose. Custodians shall also be required to provide details of physical securities held by FVCI accounts that are part of any investor group to NSDL on a daily basis for the purpose of below 10% monitoring.

12. Permitting appropriately regulated Private Bank/Merchant Bank to invest on their behalf and also on behalf of their clients–

Private Banks that are appropriately regulated and managing funds of their investor pool should be permitted to undertake investments on behalf of its investors if such investors are ready to share the details of their investors. It is proposed that Private Bank/Merchant Bank may invest on behalf of their clients provided:

- Details of beneficial owners (BOs) are available and will be provided as and when required by regulators;
- Banks do not have any secrecy arrangement with the investors and secrecy laws do not apply to the jurisdictions in which the bank is regulated.

The changes proposed in FAQs are as under:-

Q 20. How would the Private Banks and Merchant Banks be classified? Should they be considered as appropriately regulated if they are regulated or supervised by the banking regulator of the concerned foreign jurisdiction and thus qualify to be Category II FPI?



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Present Language	Revised Language
Private Banks and Merchant Banks that are regulated by an “appropriate regulator” may be classified as Category II. Further, such entities shall be allowed to undertake only proprietary investments. [Ref. Regulation 5(b)]	Private Banks and Merchant Banks that are regulated by an “appropriate regulator” may be classified as Category II. Further, they will be permitted to undertake investments on behalf of its investors provided the private bank/ merchant banks submit a declaration that i. The details of the beneficial owners are available and will be provided as and when required by the regulators; ii. The banks do not have any secrecy arrangement with the investors and secrecy laws do not apply to the jurisdictions in which the bank is regulated.
Q 21. Can a Private Bank/Merchant Bank invest on behalf of its clients?	
Present Language	Revised Language
No. Private Bank/Merchant Bank cannot invest on behalf of their clients. They are only permitted to make proprietary investments.	FAQ 21 to be deleted.



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Q 162. A private bank namely "Y" is one of the investors in a fund namely "X", which seeks to get registered as an FPI. "Y" intends to invest on behalf of multiple clients. Can a DDP consider "X" eligible for grant of registration as an FPI?

Present Language	Revised Language
While assessing the eligibility of an FPI applicant, a DDP may refer to the reply to Q# 21 of the FAQs, which states that private bank/merchant bank cannot invest on behalf of their clients. They are only permitted to make proprietary investments.	FAQ 162 to be deleted.

13. Expansion of entities considered as “appropriately regulated persons in terms of Regulation 5(b) (ii):-”

Proposal: - Category II FPIs currently includes - appropriately regulated persons such as banks, asset management companies, investment managers/ advisors, portfolio managers. It is proposed clarification may be provided to broaden this definition by FAQ to prescribe more inclusions as suggested.



FAQ:-Can appropriately regulated entities such as broker-dealer, swap dealer etc. can seek FPI registration under category II as per Regulation 5(b)(ii).

Answer:- Appropriately regulated entities such as broker dealer, swap dealer etc. that are regulated by an “appropriate regulator” proposed to be classified as Category II provided such entities shall provide beneficial ownership details of their clients to SEBI and/or any other enforcement agencies, as and when required.

14. Other Clarifications on further simplification of broad based requirements:

A. Broad based requirement: In case any Broad based fund due to exit of some offshore global investors loses its broad base status. Then this may not result in immediate loss of Category II status. It is felt that 3 months’ time may be given to such funds to regain broad base status.

B. Conditional Registration: The clause 2.5 of operational guidelines provides that conditional registration facility is available only to “newly established” India dedicated funds. It is proposed that this facility may also be extended to existing funds also.



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C. Public Comments:-

- I. In light of the above, public comments are invited on the proposals contained in this consultation paper. Comments/ views may be provided in the format given below:

Name of entity / person / intermediary/ Organization			
S. No.	Pertains to Point No.	Suggestions	Rationale

- II. The comments/views may either be forwarded by email to fpi-feedback@sebi.gov.in
OR may be sent by post to the following address latest by July 27, 2017.

Mr. Achal Singh,
Deputy General Manager
Investment Management Department,
Division of Foreign Portfolio Investors & Custodians
Securities and Exchange Board of India
SEBI Bhavan, Plot No. C4-A, G Block
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