



RESERVE BANK OF INDIA
Mumbai - 400 001

RBI/2017-18/64

A.P. (DIR Series) Circular No. 05

September 22, 2017

To
All Category - I Authorised Dealer Banks

Madam / Sir,

**Investment by Foreign Portfolio Investors in Corporate Debt Securities –
Review**

Attention of Authorised Dealer Category-I (AD Category-I) banks is invited to Schedule 5 to the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 notified vide [Notification No. FEMA.20/2000-RB dated May 3, 2000](#), as amended from time to time.

2. Currently, the limit for investment by Foreign Portfolio Investors (FPIs) in corporate bonds is ₹ 244,323 crore. This includes issuance of Rupee denominated bonds overseas (Masala Bonds) by resident entities of ₹ 44,001 crore (including pipeline). The Masala Bonds are presently reckoned both under Combined Corporate Debt Limit (CCDL) for FPI and External Commercial Borrowings (ECBs). On a review, and to further harmonise norms for Masala Bonds issuance with the ECB guidelines, the following changes are made:

- a. With effect from October 3, 2017, Masala bonds will no longer form a part of the limit for FPI investments in corporate bonds. They will form a part of the ECBs and will be monitored accordingly. Eligible Indian entities proposing to issue Masala Bonds may approach Foreign Exchange Department, Reserve Bank of India, Central Office, Mumbai as required in terms of [A. P. \(DIR Series\) Circular No.47 dated June 7, 2017](#).
- b. The amount of ₹ 44,001 crore arising from shifting of Masala bonds will be released for FPI investment in corporate bonds over the next two quarters as specified in Table 1.

Table 1 – Limit for FPI Investments in Corporate Bonds	Amount (₹ crore)
1. Current FPI limits for corporate bonds (including masala bonds)	2,44,323
(a) of which Masala bonds (including pipeline)	44,001
2. FPI limit after shifting Masala bonds to ECB (1-(a))	2,00,322
3. Additional limit for Q3 FY18	27,000
4. FPI limit for corporate bonds from 03 Oct 2017 (2+3)	2,27,322
of which reserved for investment by long term FPIs in infrastructure	9,500
5. Additional limit for Q4 FY18	17,001
6. FPI limit for corporate bonds from January 01, 2018 (4+5)	2,44,323
of which reserved for investment by long term FPIs in infrastructure	9,500

3. An amount of ₹ 9,500 crore in each quarter will be available only for investment in infrastructure sector by long term FPIs (i.e., Sovereign Wealth Funds, Multilateral Agencies, Endowment Funds, Insurance Funds, Pension Funds and Foreign Central Banks). The definition of 'Infrastructure' shall be the same as defined under the Master Direction on ECBs issued by the Reserve Bank of India. Long term FPIs will continue to be eligible to invest in sectors other than infrastructure.

4. All other existing conditions for investment by FPIs in the debt market remain unchanged.

5. AD Category-I banks may bring the contents of the circular to the notice of their customers/constituents concerned.

6. 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.

Yours faithfully
(Shekhar Bhatnagar)
Chief General Manager-in- Charge