



CIRCULAR

CIR/IMD/FIIC/1/2011

January 17, 2011

To

All Foreign Institutional Investors
through their designated Custodians of Securities

Dear Sir/Madam,

Sub:- Reporting of Offshore Derivative Instruments(ODIs)/ Participatory Notes(PNs) activity

1. Please refer to SEBI Circular No. IMD/CUST/8/2003 dated August 8, 2003 read with Circular No. IMD/CUST/9/2003 dated November 20, 2003 read with Circular No. IMD/CUST/15/2004 dated April 02, 2004, advising FIIs issuing Offshore Derivative Instruments (ODIs)/ Participatory Notes (PNs) against underlying Indian securities about the reporting format for reporting issuance / renewal / cancellation / redemption of the aforesaid instruments.
2. On a review, it has been decided to revise the reporting formats.
Revised reporting formats:-
3. The FIIs issuing ODIs/PNs shall be now be required to provide information about their ODI/PN activity and their underlying trade(s) activity in India in the following manner: -

- a. Following reports to be submitted by 10th of every month with a six month's lag (e.g. report providing details of ODI/PN activity for the month of April shall be submitted in the month of October):-
 - Annexure A - Details of ODI/PN activity.
 - Annexure B_Equity - Details of underlying trade(s) in the Indian market where the type of underlying Indian security is Equity.
 - Annexure B_Debt - Details of underlying trade(s) in the Indian market where the type of underlying Indian security is Debt.
 - Annexure B_Derivative - Details of underlying trade(s) in the Indian market where the type of underlying Indian security is Derivative.
 - Annexure C_Equity - Details of assets under management in Indian market where the type of underlying Indian security is Equity.
 - Annexure C_Debt - Details of assets under management in Indian market where the type of underlying Indian security is Debt.



भारतीय प्रतिभूति और विनियम बोर्ड Securities and Exchange Board of India

- Annexure C_Derivative - Details of assets under management in Indian market where the type of underlying Indian security is Derivative.

b. Monthly Summary Report –

- i. This report shall capture the summary of the India ISIN-wise PN/ODI activity for the preceding month.
- ii. The report shall be provided in the prescribed format as enclosed and submitted to SEBI by 7th of every month providing summary of its ODI/PN activity for the previous month.

Revised undertaking:-

4. The reports shall now be submitted with the following revised undertaking:-

“We undertake that the beneficial owner and the person(s) to whom the Offshore Derivative Instrument is issued in compliance with Regulation 15A of SEBI (FII) Regulations. We also undertake that the KYC compliance norms have been followed for the beneficial owner of the Offshore Derivative Instrument”

Reporting of FII to FII ODI/PN activity:-

5. In case an ODI/PN issuer (A) issues an ODI/PN to another FII (B) that further issues the ODI/PN, then the ODI/PN reporting for (A) would be limited to naming (B) as the subscriber, on the basis that (B) in its FII capacity is providing a monthly ODI/PN report to SEBI. The reporting from (B) would meet SEBI's requirements and avoid duplication of reporting.
6. As per Circular No IMD/CUST/9/2003 dated November 20, 2003, FIIs who do not have any outstanding offshore derivatives are required to submit a statement of 'Nil' report once every quarter along with the stipulated undertaking. Considering point no.5 mentioned above, the FIIs shall now commence reporting to SEBI in the format prescribed herein above, for the month they start issuing ODIs/PNs. Hence, quarterly 'Nil' reporting is being done away with.

Threshold for reporting of non-proprietary indices and custom baskets:-

7. It is to be clarified that the threshold for non-proprietary indices (eg MSCI World or MSCI EM Asia) shall be taken as 20%, i.e. those trades need not be reported in which the materiality of Indian underlyers is less than 20% of the index, even if such exposure was hedged onshore. However, custom baskets would always be reportable if hedged onshore regardless of percentage of the Indian component that is hedged onshore.

Manner of submission:-

8. The above-mentioned reports shall be submitted in a password secured excel format. The e-mail should be sent only by the compliance officer of the respective FII to the dedicated e-mail ID – odireporting@sebi.gov.in with the subject line “ODI/PN Report of [FII Name and Registration No.] for the month of [...]”. Please note that the password should be sent in a subsequent e-mail.

Effective Dates:-



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

9. The first such monthly summary report shall be submitted for the month of April, 2011 before 7th May, 2011. The first such Annexure A, B & C shall be submitted before 10th October, 2011 for the month of April, 2011.
10. This information in the format specified herein is being called for under Regulation 20 and 20A of the SEBI (Foreign Institutional Investors) Regulations, 1995.
11. This circular is issued in exercise of the powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act 1992, read with Section 10 of the Securities Contracts (Regulation) Act, 1956 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

A copy of this circular is available at the web page “F.I.I.” on our website www.sebi.gov.in. The custodians are requested to bring the contents of this circular to the notice of their FII clients.

Yours faithfully,

Jeevan Sonparote
General Manager
+91-22-26449110
jeevans@sebi.gov.in

Enclosed: ODI Reporting Format