



CIRCULAR

CIR/ IMD/ FII&C/ 17 / 2012

July 18, 2012

**All SEBI registered Intermediaries/ Recognized Stock Exchanges/ Depositories/
Mutual Fund/ qualified Depository Participants (DP)**

Sir / Madam,

Sub: Investment by Qualified Foreign Investors (QFI) in Indian Corporate Debt.

Vide SEBI circulars [Cir/IMD/DF/14/2011](#) and [Cir/IMD/FII&C/3/2012](#) dated August 09, 2011 and January 13, 2012 respectively, Qualified Foreign Investors (**QFIs**) were allowed to invest in schemes of Indian mutual funds and Indian equity shares subject to terms and conditions mentioned therein by opening a demat account with a qualified Depository Participant (**DP**). In consultation with the Government of India (GoI) and RBI, it has now been decided to allow QFIs to invest in Indian corporate debt securities and debt schemes of Indian mutual funds.

2. The QFI transactions shall be limited to the following debt securities:

- i. Purchase and sale of corporate debt securities listed on recognized stock exchange(s);
- ii. Purchase of corporate debt securities through public issues, if the listing on recognized stock exchange(s) is committed to be done as per the extant provisions of the Companies Act, 1956;
- iii. Sale of corporate debt securities by way of buyback or redemption by the issuer;
- iv. Purchase and sale of units of debt schemes of Indian mutual funds.

3. The provisions relating to FIIs in case of non-listing of “to be listed” corporate bonds within fifteen days as per SEBI circular CIR/IMD/FIIC/18 /2010 dated November 26, 2010, shall be applicable to QFIs.



4. Limits for investment in corporate debt--QFIs are permitted to invest in corporate debt securities (without any lock-in or residual maturity clause) and mutual fund debt schemes subject to a total overall ceiling of USD 1 billion. This limit shall be over and above the limit of USD 20 billion for FII investment in corporate debt and shall be monitored and allocated in the following manner-

- 4.1. QFI can invest without obtaining prior approval until the aggregate QFI investments reaches 90% (ninety percent) of USD 1 billion i.e. USD 0.9 billion.
- 4.2. Monitoring and allocation of investment limits shall be broadly in terms of SEBI circular dated January 13, 2012.
- 4.3. The depositories shall administer and monitor, so as to ensure, that aggregate investment of all QFIs shall not be more than 90% of the investment limit.
- 4.4. The depositories shall jointly publish/ disseminate the aggregate investment of QFIs to public, on daily basis.
- 4.5. When the aggregate investments of all the QFIs reaches 90% of the investment limit, notice informing the same shall be published by the depositories on their websites and no fresh purchases shall be allowed without prior approval of the depositories. The same shall be informed by the depositories to the DPs and recognized stock exchanges having nationwide terminals. The depositories shall also inform the DPs and such stock exchanges when aggregate investments of all the QFIs fall below 90% of the investment limits.
- 4.6. For fresh purchases by QFIs after the investment limit reaches 90%, prior approval of the depositories shall be obtained. The QFI shall make such request for prior approval to the concerned depository through the DP specifying therein the name of the QFI, PAN and other unique identification number relating to that QFI, by way of any mode of communication as specified by the depositories in consultation with each other. The concerned depository shall provide the details of prior approval requests received by it to the other depository.



- 4.7. After market hours, the depository shall give approval to request for purchase on a first-come-first-served basis in co-ordination with the other depository, based on time of receipt of the prior approval requests by the depositories. The validity of the approval shall be for the next trading day only.
- 4.8. In case the aggregate shareholding of the QFI exceeds overall investment limit, the depositories shall jointly notify the respective DPs regarding the breach along with the names of the QFI due to whom the limits have been breached. For this purpose, the stock exchanges shall provide the required information so as to enable the depositories to identify the transaction details of the QFI including the name of QFI, PAN and/ or other unique identification number relating to that QFI, purchase quantity and time or any other information as may be required by the depositories.
- 4.9. In case the aggregate shareholding of the QFIs exceeds overall investment limit for whatsoever reason, the QFI due to whom the limit is breached shall mandatorily divest excess holdings within three working days of such breach being notified by depositories to the DP. The DP shall obtain necessary authorization from the QFI at the time of account opening for such divestment of excess holdings.

5. Know Your Customer (KYC) - DPs will ensure KYC of the QFIs as per the norms prescribed by SEBI in circular dated January 13, 2012 and SEBI circulars issued in this regard from time to time. AD Category banks will also ensure KYC of the QFIs for opening and maintenance of the single non-interest bearing Rupee Accounts as per the extant norms prescribed by RBI.

6. All the other stipulations prescribed by SEBI in circular dated January 13, 2012 regarding QFI investment in equity shall apply *mutatis mutandis*.

7. Reporting – In addition to the reporting to RBI as may be prescribed by them, DPs will also ensure reporting to SEBI in a manner and format as prescribed by SEBI from time to time.



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

This circular is issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully,

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