



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

CIRCULAR

CIR/IMD/FIIC/1/2013
January 01, 2013

To

All Foreign Institutional Investors
through their designated Custodians of Securities

Dear Sir/Madam

Sub: Debt Allocation Mechanism for FII

1. SEBI vide circular CIR/IMD/FIIC/1/2012 dated January 03, 2012 had provided the facility of re-investment of up to two years from the date of the circular or to the extent of twice the size of the debt portfolio, to those FIIs and sub-accounts that had already acquired limits and/or invested in debt in the manner prescribed in the said circular. The facility of re-investment period was not allowed for all new allocations of debt limits to FIIs/sub-accounts after the issuance of the said circular.
2. SEBI vide circular CIR/IMD/FIIC/22/2012 dated November 07, 2012 had stated that beginning January 01, 2014, the FIIs/Sub-Accounts could re-invest during each calendar year to the extent of 50% of their debt holdings at the end of the previous calendar year. It is clarified that from January 01, 2014 onwards, the circular CIR/IMD/FIIC/22/2012 dated November 07, 2012 will be applicable uniformly to all FIIs investing in debt securities irrespective of whether the FII had acquired limits/made investments before January 03, 2012 or not.
3. In light of the representations received and in order to provide operational flexibility to those FIIs/ sub-accounts which did not hold any debt investment limits as on January 03, 2012 and purchased debt investment limits thereafter, it has been decided that they shall be allowed a cumulative re-investment facility to the extent of 50% of their maximum debt holding at any point of time during the calendar year 2013.
4. To illustrate, an example is given below:

An FII/ Sub-Account “XYZ” did not hold any debt investment limits as on January 03, 2012. It had purchased fresh debt limits on January 07, 2012. The following table gives the particulars of XYZ’s transactions in debt securities:

Step	Buy	Sell	Current Holding	Maximum holding at any point of time during the calendar year	Value of sale which FII/SA can make without losing its investment limits	Cumulative sale by the FII/SA during the calendar year	Value of sale which can be further made by FII/SA without losing limit
1 (On Jan 07, 2012)	1000	0	1000	1000	500	0	500
2	0	500	500	1000	500	500	0
3	6000	0	6500	6500	3250	500	2750
4	1000	0	7500	7500	3750	500	3250
5	0	3000	4500	7500	3750	3500	250
6	600	0	5100	7500	3750	3500	250
7	5000	0	10100	10100	5050	3500	1550
8	0	1550	8550	10100	5050	5050	0
9	450	0	9000	10100	5050	5050	0
10	1100	0	10100	10100	5050	5050	0

All figures in INR cr

5. From January 01, 2014, the re-investment facility as indicated in the SEBI circular CIR/IMD/FIIC/22/2012 dated November 07, 2012 would be available during each calendar year to those FIIs which hold debt investments as on December 31 of the previous calendar year.
6. In respect of those FIIs which do not hold any debt investments as on December 31 of the previous calendar year, the re-investment facility given at Para 3 of this circular would be available during each calendar year.
7. It is further clarified that the re-investment facility for those FIIs/ sub-accounts having debt limit prior to January 03, 2012, will remain available till December 31, 2013 in terms of the SEBI circular dated January 03, 2012.
8. The re-investment period, i.e. 5 working days for Government Debt and 15 working days for Corporate Debt shall remain the same as per the SEBI Circular CIR/IMD/FIIC/18/2010 dated November 26, 2010.

This circular shall come into effect immediately.

This circular is issued in exercise of powers conferred under SEBI 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.

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.

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