CIRCULAR

CIR/IMD/FIIC/ 19 /2013
November 28, 2013

To
All Foreign Institutional Investors
through their designated Custodians of Securities

The Managing Directors
NSDL and CDSL

Sir / Madam,

Sub: Investments by FIIs/QFIs in Credit Enhanced Bonds

1. On September 10, 2012, Government of India decided to permit Foreign Institutional Investors (FIIs) to invest in "Credit Enhanced INR Bonds" up to an equivalent of US$ 5 billion within the overall Corporate Bond limit of US$ 51 billion. The Reserve Bank of India vide circular RBI/13-14/368 dated November 11, 2013 had permitted FIIs and QFIs to invest in the credit enhanced bonds, as per paragraph 3 and 4 of the RBI A.P. (DIR Series) Circular No. 120 dated June 26, 2013, up to a limit of USD 5 billion within the overall limit of USD 51 billion earmarked for corporate debt.

2. The depositories shall monitor FII/QFI investments in credit enhanced bonds, so as to ensure that aggregate investments by FIIs/QFIs in such bonds shall not be more than 90% of the US $ 5 billion limit i.e US $ 4.5 billion. The Custodian/QDP shall provide on a daily basis, FII/QFI wise, ISIN wise and company wise buy/sell information and any other transaction or any related information to their respective depositories on the same day i.e the day on which the transaction was carried out, before the time stipulated by the depositories.

3. The depositories shall jointly publish/ disseminate the aggregate investment of FIIs/QFIs in Credit Enhanced Bonds, to public, on a daily basis.

4. When the aggregate investments of all the FIIs/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 Custodians/QDPs and recognized stock exchanges

having nationwide terminals. The depositories shall also inform the Custodians/QDPs and stock exchanges when aggregate investments of all the FIIs/QFIs fall below 90% of the investment limits.

5. For fresh purchases by FIIs/QFIs after the investment limit reaches 90%, prior approval of the depositories shall be obtained. The FII/QFI shall make such request for prior approval to the concerned depository through the Custodians/QDPs specifying therein the name of the FII/QFI, PAN and other unique identification number relating to that FII/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.

6. 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 two trading days.

7. In case the aggregate holding of the FII/QFI exceeds overall investment limit, the depositories shall jointly notify the respective Custodians/QDPs regarding the breach along with the names of the FII/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 FII/QFI including the name of FII/QFI, PAN and/ or other unique identification number relating to that FII/QFI, purchase quantity and time or any other information as may be required by the depositories.

8. In case the aggregate holding of the FII/QFIs exceeds overall investment limit for whatsoever reason, the FII/QFI due to whom the limit is breached shall mandatorily divest excess holdings within seven working days of such breach being notified by depositories to the DP. The Custodians/QDPs shall obtain necessary authorization from the FII/QFI at the time of account opening for such divestment of excess holdings.

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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