



भारतीय प्रतिभूति और विनियम बोर्ड Securities and Exchange Board of India

CIRCULAR

CIR/IMD/FPIC/39/2016

March 15, 2016

To,

1. All Foreign Portfolio Investors ("FPIs") through their Designated Depository Participants ("DDPs")/ Custodian of Securities.
2. All Recognized Stock Exchanges.
3. The Depositories (NSDL and CDSL).

Sir/ Madam,

Sub: Investments by FPIs in REITs, InvIts, AIFs and corporate bonds under default.

A. REITs, InvIts and AIFs

1. RBI had vide notification No. FEMA.355/2015-RB dated November 16, 2015 carried out necessary amendments in Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) (Eleventh Amendment) Regulations, 2015 for permitting investment by FPIs in the units of REITs, InvIts and AIFs.
2. Accordingly, it has been decided to permit FPIs to invest in units of REITs, InvIts and Category III AIFs in terms of Regulation 21 (1) (n) of SEBI (FPI) Regulations, 2014 subject to such other terms and conditions as may be prescribed by SEBI from time to time.
3. A FPI shall not hold more than twenty five percent stake in a category III AIF.

B. Corporate Bonds under default

4. RBI, vide circular RBI/2015-16/253 dated November 26, 2015 has permitted FPIs to acquire NCDs/bonds, which are under default, either fully or partly, in the repayment of principal on maturity or principal installment in the case of amortising bond.
5. In partial modification of Para 2 of the SEBI circular CIR/IMD/FIIC/1/2015 dated February 03, 2015, FPIs shall be permitted to acquire NCDs/bonds, which are under default, either fully or partly, in the repayment of principal on maturity or principal installment in the case of an amortising bond. FPIs shall be guided by RBI's definition of an amortising bond in this regard.



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6. Such NCDs/bonds restructured based on negotiations with the issuing Indian company, shall have a minimum revised maturity period of three years.
7. The FPIs shall disclose to the Debenture Trustees, the terms of their offer to the existing debenture holders/beneficial owners of such NCDs/bonds under default, from whom they propose to acquire.
8. All investments by FPIs in such bonds shall be reckoned against the extant corporate debt limit of INR 244,323 cr. All other terms and conditions pertaining to FPI investments in corporate debt securities shall continue to apply.
9. 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.
10. A copy of this circular is available at the links “Legal Framework→Circulars” and “Info for →F.P.I” on our website www.sebi.gov.in. The DDPs/Custodians are requested to bring the contents of this circular to the notice of their FPI clients.

Yours faithfully,

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