भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

CIRCULAR

SEBI/IMD/FPIC/CIR/P/2018/70
April 12, 2018

To
All Foreign Portfolio Investors
through their designated Custodians of Securities

The Depositories (NSDL and CDSL)

Sir / Madam,

Subject: Investments by FPIs in Government and Corporate debt securities

1. RBI in its Fourth Bi-monthly Policy Statement for the year 2015-16, dated September 29, 2015 had announced a Medium Term Framework (MTF) for FPI limits in Government securities in consultation with the Government of India. Accordingly, SEBI had issued circulars CIR/IMD/FPIC/8/2015 dated October 06, 2015, IMD/FPIC/CIR/P/2016/45 dated March 29, 2016 and IMD/FPIC/CIR/P/2016/107 dated October 03, 2016, IMD/FPIC/CIR/P/2017/30 dated April 03, 2017, IMD/FPIC/CIR/P/2017/74 dated July 04, 2017, IMD/FPIC/CIR/P/2017/113 dated October 04, 2017 and IMD/FPIC/CIR/P/2017/129 dated December 20, 2017 regarding the allocation and monitoring of FPI debt investment limits in Government securities.

2. Vide circular SEBI/HO/IMD/FPIC/CIR/P/2017/112 dated September 29, 2017, a sub-Limit for investment by Long Term FPIs in the infrastructure sector was created within the Corporate Debt Investment Limits (CDIL).

3. In accordance with the A.P. (DIR Series) Circular No. 22 dated April 06, 2018 issued by RBI, it has been decided to revise the CDIL and the limit for investment by FPIs in Government Securities and State Development Loans (SDL), for the Financial Year 2018-19, as follows:

    a. Limit for FPIs in Central Government securities shall be enhanced to INR 207,300 cr on April 12, 2018 and INR 223,300 cr on October 01, 2018 respectively from the existing limit of INR 191,300 cr.

b. Limit for Long Term FPIs (Sovereign Wealth Funds (SWFs), Multilateral Agencies, Endowment Funds, Insurance Funds, Pension Funds and Foreign Central Banks) in Central Government securities shall be enhanced to INR 78,700 cr on April 12, 2018 and INR 92,300 cr on October 01, 2018 respectively from the existing limit of INR 65,100 cr.

c. The debt limit category of State Development Loans (SDL) shall be revised as follows:

   i. SDL-General shall be enhanced to INR 34,800 cr on April 12, 2018 and INR 38,100 cr on October 01, 2018 respectively from the existing limit of INR 31,500 cr
   ii. SDL-Long Term shall be revised to INR 7,100 cr

d. In partial modification to Para 4 of the SEBI circular SEBI/HO/IMD/FPIC/CIR/P/2017/112 dated September 29, 2017, the sub-limit for investment by Long Term FPIs in the infrastructure sector shall be done away with and the existing investment and free limits shall be merged into the CDIL. Further, all the existing sub-categories under the category of corporate bonds will be discontinued and there would be a single limit for FPI investment in all types of corporate bonds.

e. The CDIL shall be enhanced to INR 266,700 cr on April 12, 2018 and INR 289,100 cr on October 01, 2018 respectively from the existing limit of INR 244,323 cr.

4. Accordingly, with effect from April 12, 2018, the revised FPI debt limits shall be as follows:

Type of Instrument	Upper Cap as on April 11, 2018 (INR cr)	Revised Upper Cap with effect from April 12, 2018 (INR cr)	Revised Upper Cap with effect from October 01, 2018 (INR cr)
Government Debt – General	191,300	207,300	223,300
Government Debt – Long Term	65,100	78,700	92,300
SDL – General	31,500	34,800	38,100
SDL – Long Term	13,600	7,100	7,100
Total Government Debt	**301,500**	**327,900**	**360,800**
CDIL	**244,323**	**266,700**	**289,100**

5. Investment of coupons by FPIs in Government securities, which was hitherto outside the investment limit, will now be reckoned within the Government Debt – General limit. FPIs may, however, continue to invest the coupons without any constraint, as they do now. Only at the time of periodic re-setting of limits, coupon investments would be added to the amount of utilization. Accordingly, the stock of coupon investment of Rs. 4,760 crore as on March 31, 2018, shall be added to the actual utilization under Government Debt - General.

6. All other existing conditions with regard to allocation and monitoring of debt limits shall continue to apply.

7. A separate notification will be issued announcing coupon reinvestment arrangements in respect of SDL and corporate debt and other changes affecting operational aspects of FPI investments in debt.

This circular shall come into effect immediately. This circular is issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992.

A copy of this circular is available at the web page "Circulars" on our website www.sebi.gov.in. Custodians are requested to bring the contents of this circular to the notice of their FPI clients.

Yours faithfully,

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