



CIRCULAR

CIR/IMD/FPI&C/76/2017

July 7, 2017

To,

All Foreign Portfolio Investors (FPIs)

(Through their Designated Depository Participants/Custodians of Securities)

Dear Sir/Madam,

Subject: Guidelines for issuance of ODIs, with derivative as underlying, by the ODI issuing FPIs.

1. In terms of the SEBI (Foreign Portfolio Investors) Regulation, 2014 (FPI Regulations) and circulars issued from time to time regarding ODI, the Foreign Portfolio Investors (FPIs) issuing ODIs (hereinafter referred to as ODI Issuers) are required to comply with the conditions for issuance of ODIs.
2. With the date of this circular, the ODI issuing FPIs are advised as follows:
 - 2.1. The ODI issuing FPIs shall not be allowed to issue ODIs with derivative as underlying, with the exception of those derivative positions that are taken by the ODI issuing FPI for hedging the equity shares held by it, on a one to one basis.
 - 2.2. In the case of the existing ODIs which have been issued by the ODI issuing FPIs with derivatives as underlying, where the said underlying derivatives position are not for purpose of hedging the equity shares held by it, the ODI issuing FPI has to liquidate such ODIs latest by the date of maturity of the ODI instrument or by December 31, 2020, whichever is earlier. However, ODI issuing FPIs should endeavor to liquidate such ODI instruments prior to said timeline.
 - 2.3. In the case of issuance of fresh ODIs with derivatives as underlying, a certificate has to be issued by the compliance officer (or equivalent) of the ODI issuing FPI, certifying that the



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derivatives position, on which the ODI is being issued, is only for hedging the equity shares held by it, on a one to one basis. The said certificate shall be submitted along with the monthly ODI reports.

- 2.4. It is clarified that the term “hedging of equity shares” means taking a one-to-one position in only those derivatives which have the same underlying as the equity share.
3. This circular is issued in exercise of powers conferred under SEBI Section 11 (1) of the Securities and Exchange Board of India Act, 1992 and shall come into effect on immediate basis.

A copy of this circular is available at the web page “Circulars” on our website www.sebi.gov.in. The Designated Depository Participants (DDPs)/Custodian of securities are requested to bring the contents of this circular to the notice of their FPI clients for necessary compliance.

Yours faithfully,

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