



# भारतीय प्रतिभूति और विनियम बोर्ड Securities and Exchange Board of India

## CIRCULAR

IMD/FPIC/CIR/P/2017/81  
July 20, 2017

To

1. All Foreign Portfolio Investors (through their designated Custodians of Securities)
2. The Depositories (NSDL and CDSL)
3. The Exchanges (BSE and NSE)

Dear Sir / Madam,

### Sub: Investments by FPIs in Corporate Debt

1. This has reference to the SEBI circular SEBI/HO/IMD/FPIC/CIR/P/2016/67 dated August 04, 2016 whereby the Corporate debt limit of INR 244,323 cr for FPIs was redefined as the Combined Corporate Debt Limit (CCDL) for all foreign investments in Rupee denominated bonds issued both onshore and overseas by Indian corporates.
2. In partial modification to Para 4 of the said circular, the CCDL shall be available on tap for investment by foreign investors till the overall investment reaches 95%, after which, the auction mechanism shall be initiated for allocation of the remaining limits.
3. In the event the overall FPI investment in CCDL exceeds 95% (as indicated by the debt utilisation status updated daily on the websites of NSDL and CDSL), the following procedure shall be followed:
  - a. The depositories (NSDL and CDSL) shall direct the custodians to halt all FPI purchases in corporate debt securities.
  - b. The depositories shall then inform the exchanges (NSE and BSE) regarding the unutilised debt limits for conduct of auction. Upon receipt of information from the depositories, the exchange (starting with BSE) shall conduct an auction for the allocation of unutilised debt limits on the second trading day from the date of receipt of intimation from the depositories. Thereafter, the auction shall be conducted alternately on NSE and BSE.



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- c. The auction shall be held only if the free limit is greater than or equal to INR 100 cr. However, if the free limit remains less than 100 cr for 15 consecutive trading days, then an auction shall be conducted on the sixteenth trading day to allocate the free limits.
- d. The auction shall be conducted in the following manner :

| Particulars                               | Details                                                       |
|-------------------------------------------|---------------------------------------------------------------|
| Duration of bidding:                      | 2 hours (15:30 to 17:30 hrs)                                  |
| Access to platform                        | Trading members or custodians                                 |
| Minimum bid                               | INR 1 crore                                                   |
| Maximum bid                               | One-tenth of free limit being auctioned                       |
| Tick Size                                 | INR 1 crore                                                   |
| Allocation Methodology                    | Price time priority                                           |
| Pricing of bid                            | Minimum flat fee of INR 1000 or bid price whichever is higher |
| Time period for utilization of the limits | 10 trading days from the date of allocation                   |

- e. Once the limits have been auctioned, the FPIs will have a utilisation period of 10 trading days within which they have to make the investments. The limits not utilised within this period shall come back to the pool of free limits.
- f. Upon sale/redemption of debt securities, the FPI will have a re-investment period of 2 trading days. If the reinvestment is not made within 2 trading days, then the limits shall come back to the pool of free limits.
- g. A single FPI/ FPI Group cannot bid for more than 10% of the limits being auctioned.
4. The subsequent auction would be held 12 trading days after the previous auction, subject to the fulfilment of the condition mentioned at Point (3c) above.
5. As Rupee denominated bonds issued by Indian corporates overseas are covered under CCDL, issuance of such bonds overseas shall temporarily cease, until the limit utilisation falls back to below 92%.



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6. The auction mechanism shall be discontinued and the limits shall be once again available for investment on tap when the debt limit utilisation falls below 92%. It is clarified that in such a scenario, the reinvestment facility mentioned at Point (3f) shall be terminated and cannot be availed for the same limits when the utilisation crosses 95% again. The custodians shall monitor and report the reinvestment facility availed by the FPIs to the depositories.
7. In partial modification to Para (2a) of the SEBI circular SEBI/HO/IMD/FPIC/CIR/P/2017/16 dated February 28, 2017, FPI investments in unlisted corporate debt securities shall compulsorily be in dematerialized form and subject to a minimum residual maturity of three years.
8. All other terms and conditions for FPI investments in listed and unlisted corporate debt securities shall remain the same.
9. The depositories shall put in place the necessary systems for the daily reporting by the custodians of the FPIs. The exchanges shall disseminate the auction summary on their respective websites.

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](http://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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