

v. Foreign Institutional Investments

The SEBI continued to encourage FIIs to invest in India and took measures to improve the regulatory framework for FIIs to facilitate FII investments into the securities market. The following changes have been made to the FII regulations during the year 1998-99:

Stock lending permitted

The stock lending scheme was introduced by SEBI in 1996. The FIIs, which are active participants in the Indian securities market, have been allowed to lend stocks through an approved intermediary. However, presently the FIIs are not permitted to borrow securities which could result into covered short sales by the FIIs.

Investments in T-bills allowed

While announcing the policy measures relating to the Government securities market in the credit policy announcement on April 29, 1998, the RBI allowed FIIs to invest in treasury bills within the overall approved debt ceiling. A previous amendment in 1997 had permitted FIIs to invest in proprietary funds and also to invest in dated government securities.

Investments in unlisted securities permitted

The Finance Minister in his Budget Speech for 1998-99 announced that foreign institutional investors investing through the 100 per cent debt route would be permitted to invest in unlisted securities. Amendments to this effect have been approved and notified by the SEBI.

FIIs participation in open offers directly

The SEBI (Foreign Institutional Investors) Regulations, 1995 require FIIs to enter into secondary market transactions only through stock brokers registered with SEBI. To facilitate the participation of FIIs in open offers, the FIIs have now been permitted to tender their securities directly in response to an open offer made in terms of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

Investments in derivatives permitted

As FIIs are potential participants in the derivatives markets; it was felt that the presence of FIIs and domestic institutions would be critical to the success of the market. It was, therefore, decided to permit FIIs to buy and sell derivative contracts traded on a stock exchange.

Simplification of application procedure

In terms of regulations 12 and 13 of the SEBI (Foreign Institutional Investors) Regulations, 1995, FIIs may invest on behalf of sub-accounts which are registered with SEBI. When considering an application for registration of sub-accounts, the Regulations required submission of detailed information for registration. Under this procedure, considerable time was sometimes taken in determining whether the applicant was "broad based" as required by the Regulations. To simplify the registration process for sub-

accounts it has been decided that the determination of fulfillment of broad base criteria be done by the foreign institutional investor itself and a declaration to this effect be submitted to SEBI. The Regulations have been amended to incorporate a simplified format for registration of sub account under which registration is now granted within three days of receipt of application.

Web Page for the FIIs

The foreign institutional investors operate through their offices located abroad. To facilitate better exchange of information with the FIIs as well to provide information on the policy developments, a separate page on FIIs has been created on the official web site of SEBI. The page contains the FII regulations, the applications forms, details of the registration procedures and list of the FIIs registered with the SEBI. A lot of details are also provided under the head frequently asked questions. The FIIs or their representatives can also contact the FII division personnel in SEBI through this page.