Frequently Asked Questions (FAQs) - Foreign Venture Capital Investor (FVCI)

SEBI (Foreign Venture Capital Investor) Regulations, 2000

Disclaimer: *These FAQs are prepared with a view to guide market participants on SEBI (Foreign Venture Capital Investor) Regulations, 2000 ("the Regulations"). These FAQs are not the interpretation of law but provide only a simplistic explanation of terms / concepts related to the Foreign Venture Capital Investors. For full particulars of laws governing the Foreign Venture Capital Investors (FVCIs), please refer to the Acts/Regulations/Guidelines/Circulars etc. appearing under the Legal Framework Section of SEBI website i.e. www.sebi.gov.in.*

1. Who is a Foreign Venture Capital Investor (FVCI)?

Foreign Venture Capital Investor means an investor incorporated and established outside India, who is registered under the Regulations and proposes to make investment in accordance with the Regulations.

{Ref. Regulation 2(1)(g)}

2. How can an entity get registered as an FVCI?

Kindly refer '*FAQs for grant of registration as Foreign Venture Capital Investor (FVCI)*' for broad guidelines with respect to submitting application to SEBI for registration as an FVCI.

3. What are the types of securities in which an FVCI is allowed to invest?

FVCIs shall invest at least 66.67% of the investable funds in unlisted equity shares or equity linked instruments of venture capital undertaking (VCU) or investee company and not more than 33.33% of investable funds may be invested in specified securities as detailed in Regulation 11 of FVCI Regulations. The investment conditions and restrictions stipulated above shall be achieved by the FVCI by the end of its life cycle.

An FVCI can also invest its total funds committed in an Alternative Investment Fund registered under SEBI (Alternative Investment Funds) Regulations, 2012 or Venture Capital Fund registered under the erstwhile SEBI (Venture Capital Funds) Regulations, 1996.

{Ref. Regulation 11}

4. What type of entities are covered under '*VCU*' or '*investee company*' stated in investment conditions provided at Query 3 above?

'VCU' refers to a domestic company not listed on a recognised stock exchange in India at the time of making investment and is engaged in the business for providing services, production or manufacture of article or things and does not include following activities or sectors:

(i) non-banking financial companies, other than Core Investment Companies (CICs) in the infrastructure sector, Asset Finance Companies (AFCs), and Infrastructure Finance Companies (IFCs) registered with Reserve Bank of India;

(ii) gold financing;

(iii) activities not permitted under industrial policy of Government of India;
(iv) any other activity which may be specified by SEBI in consultation with Government of India from time to time.

{Ref. Regulation 2(1)(m)}

'Investee company' means any company, special purpose vehicle or limited liability partnership or body corporate or real estate investment trust or infrastructure investment trust in which an FVCI makes an investment.

{Ref. Regulation 2(1)(o) of SEBI (Alternative Investment Funds) Regulations, 2012}

5. Are FVCIs required to appoint a custodian?

Yes. FVCI shall enter into an agreement with a domestic custodian to act as a custodian of securities for FVCI.

FVCI shall ensure that domestic custodian takes steps for -
(a) monitoring of investment of FVCI in India;
(b) furnishing of periodic reports to SEBI;
(c) furnishing such information as may be called for by SEBI.

{Ref. Regulation 14}

6. Are FVCIs required to intimate SEBI for change of custodian?

Yes. FVCI desirous of changing the domestic custodian shall submit an application for the same on the SEBI Intermediary Portal along with necessary supporting documents, for updating the custodian details in SEBI records.

7. What is the periodic reporting requirement for FVCIs?

All FVCIs are required to submit periodical report on their investment activity to SEBI. The format for the quarterly report on venture capital activity to be submitted by FVCIs has been prescribed vide SEBI circular no. SEBI/IMD/DOF-1/FVCI/CIR-1/2010 dated January 12, 2010.

The report is to be uploaded online on SEBI Intermediary Portal within 7 days from the end of each calendar quarter. Domestic custodian shall be responsible for timely submission of the report by FVCI.

8. Under what circumstances SEBI may suspend certificate of registration granted to an FVCI?

SEBI may suspend the certificate of registration granted to an FVCI where the FVCI,
a) contravenes any of the provisions of Securities and Exchange Board of India Act, 1992 or the Regulations;
b) fails to furnish any information relating to its activity as a FVCI as required by SEBI;
c) furnishes to SEBI information which is false or misleading in any material particular;
d) does not submit periodic returns or reports as required by SEBI;

e) does not co-operate in any enquiry or inspection conducted by SEBI.

{Ref. Regulation 21}

9. Under what circumstances SEBI may cancel certificate of registration granted to an FVCI?

SEBI may cancel the certificate of registration granted to an FVCI -

a) when the FVCI is guilty of fraud or has been convicted of an offence involving moral turpitude;
b) the FVCI has been guilty of repeated defaults of the nature mentioned at query 9 above;
c) FVCI does not continue to meet the eligibility criteria laid down in the Regulations;
d) contravenes any of the provisions of Securities and Exchange Board of India Act, 1992 or the Regulations.

{Ref. Regulation 22}

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