



To  
All Foreign Institutional Investors  
through their designated Custodians of Securities

**Sub: FII Investment in corporate bonds infra long term category**

Please refer to the SEBI circular CIR/IMD/FIIC/18/2010 dated November 26, 2010 wherein the mechanism of allocation of newly announced limit of long-term corporate debt (infrastructure) was announced

**Increase in overall limits**

1. The existing limit of USD 5 billion for investment by foreign Institutional investors (FIIs) in corporate bonds issued by companies in the infrastructure sector with a residual maturity of over five years has been increased by an additional limit of USD 20 billion taking the total limit to USD 25 billion. These investments are now permissible in unlisted instruments.

**Investments in unlisted bonds**

2. FIIs shall now be eligible to invest in unlisted bonds issued by companies in the infrastructure sector that are generally organised in the form of special purpose vehicles.

**Lock-in period for investments subject to inter FII trading**

3. Investments in such bonds shall have a minimum lock-in period of three years. However, during the lock-in period, FIIs will be allowed to trade amongst themselves. During the lock-in period, the investments cannot however, be sold to domestic investors.

**No change in identification of companies eligible as “Infrastructure”**

4. Identification of corporate bonds issued by companies in the infrastructure sector shall be in terms of SEBI circular IMD/FII&C/18/2010 dated November 26, 2010.

**Manner of allocation**

5. In partial amendment to the aforesaid circular IMD/FII&C/18/2010, it is decided to do away with the allocation methodology for investment in Corporate Debt –Long term Infra category.
6. FII/sub-accounts can now avail of these limits without obtaining SEBI approval till the overall FII investments reaches 90% (ninety percent) i.e. USD 22.5 billion. After which the process mentioned in circular dated November 26, 2010 shall be initiated for allocation of remaining limits.

**Special window at exchanges**

7. To facilitate to the FIIs during the lock-in period as mentioned at para 3 above, a special trading window for FIIs shall be provided by Exchanges on the same lines as is available for equities in companies where the overall FII investment has touched the maximum limit.

This circular is issued in exercise of the powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act 1992, read with Section 10 of the Securities Contracts (Regulation) Act, 1956 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

A copy of this circular is available at the web page “F.I.I.” on our website [www.sebi.gov.in](http://www.sebi.gov.in). The custodians are requested to bring the contents of this circular to the notice of their FII clients.

Yours faithfully,

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