



CIRCULAR

CIR/IMD/FIIC/18 /2011

September 30, 2011

To
All Foreign Institutional Investors
through their designated Custodians of Securities

Dear Sir/Madam

Sub – Revisions in FII Investments in corporate debt long term infra category

1. Please refer to SEBI circular IMD/FII&C/5/2011 dated March 31, 2011 wherein the enhanced debt investment limits for FII investment in corporate debt long term infra category, and the modalities for allocation was specified.
2. Reference is drawn to SEBI circular IMD/DF/14/2011 dated August 09, 2011 allowing Qualified Foreign Investor (QFI) in Mutual Fund Schemes to invest in debt schemes which invest in infrastructure debt upto a total ceiling of USD 3 billion out of the total long term corporate infrastructure limits of USD 25 billion.
3. Government of India vide its press release dated September 12, 2011 modified the aforesaid long term infrastructure limits and thus the following bifurcation of the long terms infrastructure limits of USD 22 billion is advised:-

One year lock in & one year residual maturity-

4. USD 5 billion is earmarked for FII investments in those bonds that have an initial maturity of 5 years or more at the time of issue and a residual maturity of 1 year at the time of first purchase by an FII. These investments are subject to a lock in period of 1 year wherein FIIs can trade amongst themselves but cannot sell to domestic investors during lock in period.

Three year lock in & three year residual maturity-

5. The remaining USD 17 billion limits available to FIIs can be invested in Long term infra bonds which have an initial maturity of 5 years or more at the time of issue and residual maturity of 3 years at the time of first purchase by an FII. These investments are subject to a lock in period of 3 years wherein FIIs can trade amongst themselves but cannot sell to domestic investors during the lock in period.

Reckoning of limits for Infrastructure Debt Funds (IDFs)

6. Investment by FIIs in infrastructure debt fund schemes under the IDF route shall be reckoned under USD 17 billion as mentioned at para 5 above.
7. For sake of clarity the following is the depiction of the USD 25 billion infrastructure long terms debt limits applicable as on September 12, 2011:

FII Investment limit in corporate debt long term infra category as on September 12, 2011		
Type of investment route	Upper cap in USD bn	In INR Crs
Total long term infra	25	1,12,095
QFI investment in debt (Including investment in IDF)	3	13,451
One year lock in with one year residual maturity by FIIs	5	22,419
Three year lock in with three year residual maturity by FIIs (including investment in IDF)	17	76,225



8. It is to be clarified that as per convention, in case of bonds that have embedded options, such as bonds with put and call options, the date of the put/ call shall be determined as the maturity date for the purpose of calculating residual maturity.

Manner of allocation

9. In terms of para 6 of the circular of even number dated March 31, 2011, “*FII/sub-accounts were allowed to avail of the investment limits without obtaining SEBI approval till overall FII investments reaches 90% (ninety percent)*”. In partial modification of para 6 of the aforesaid circular IMD/FII&C/5/2011 that FIIs/sub-accounts can now avail of the debt limits under the corporate bonds long term infra category which have an initial maturity of 5 years or more at the time of issue and residual maturity of 3 years at the time of first purchase by an FII, without obtaining SEBI approval till the overall FII investment reaches 90% (ninety percent) of USD 17 billion i.e. USD 15.3 billion. After reaching this limit of USD 15.3 billion the bidding process mention in circular dated November 26, 2010 shall be initiated for allocation of remaining limits.

Allocation of USD 5 billion limit

10. Allocation of entire USD 5 billion limit for FII investments in terms of para 4 above shall be through the bidding process on the NSE from 15:30 hrs to 17:30 hrs, on October 07, 2011, in terms of SEBI circular IMD/FII&C/37/2009 dated February 06, 2009, subject to the modifications stated below:-
- In partial amendment to clause 3 (h) of the aforesaid circular IMD/FII & C/37/2009, no single entity shall be allocated more than INR 2,000 cr. of the investment limit. Where a single entity bids on behalf of multiple entities, in terms of para 7 of SEBI circular CIR/IMD/FIIC/18 /2010 dated November 26, 2010, then such bid would be limited to INR 2,000 cr. for every such single entity.
 - In partial amendment to clause 3 (c) and 3(d) of the aforesaid circular IMD/FII & C/ 37/2009, the minimum amount which can be bid for shall be INR 50 cr.
 - The fees for the bidding process shall be remitted to SEBI by the respective custodians of the entities by October 12, 2011.
11. Time period for utilization of USD 5 billion limit for FII investments in terms of para 4 shall be as per SEBI circular IMD/FII&C/18/2010 dated November 26, 2010.

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. The custodians are requested to bring the contents of this circular to the notice of their FII clients.

Yours faithfully,

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