भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

CIRCULAR

CIR/ IMD/ FII&C/ 4/ 2012
January 25, 2012

All SEBI registered Intermediaries/ Recognized Stock Exchanges/ Depositories

Sir / Madam,

Sub: Eligibility criteria for qualified depository participant.

Vide SEBI circulars Cir/IMD/DF/14/2011 and Cir/IMD/FII&C/3/2012 dated August 09, 2011 and January 13, 2012 respectively, Qualified Foreign Investors (QFI) were allowed to invest in schemes of Indian mutual funds and Indian equity shares subject to terms and conditions mentioned therein, including opening a demat account with qualified Depository Participant. The eligibility criteria for a SEBI registered Depository Participant (DP) to act as qualified Depository Participant were provided in the aforementioned circulars.

2. On a review, it has been decided to amend the eligibility criteria for a SEBI registered DP to act as a qualified Depository Participant. The revised eligibility criteria to act as qualified Depository Participants are as follows:
   To become a qualified Depository Participant, a SEBI registered DP shall fulfill the following:
   2.1. DP shall have net worth of Rs. 50 crore or more;
   2.2. DP shall be either a clearing bank or clearing member of any of the clearing corporations;
   2.3. DP shall have appropriate arrangements for receipt and remittance of money with a designated Authorised Dealer (AD) Category - I bank;

2.4. DP shall demonstrate that it has systems and procedures to comply with the FATF Standards, Prevention of Money Laundering (PML) Act, Rules and SEBI circulars issued from time to time; and

2.5. DP shall obtain prior approval of SEBI before commencing the activities relating to opening of accounts of QFI.

The eligibility criteria for qualified Depository Participant as contained in SEBI circulars dated August 9, 2011 and January 13, 2012 stands amended as above.

3. In order to maintain consistency in the maximum retention period of QFI's fund in the single rupee pool bank account for investments/ re-investment out of redemption or dividend in schemes of Indian mutual funds vis-à-vis equity shares, it has been decided to amend clause(s) 4.7.5 and 4.7.7 of circular Cir/IMD/DF/14/2011 dated August 9, 2011.

4. Accordingly, the maximum retention period of QFI's funds in the single rupee pooled account with the qualified depository participant as envisaged in clause(s) 4.7.5 and 4.7.7 of circular dated August 9, 2011 stands revised to **five working days** (including the date of receipt of foreign inward remittance through normal banking channels from the designated overseas bank account of the QFI into the single rupee pool bank account) for both investment as well as re-investment out of redemption proceeds in schemes of Indian mutual funds.

5. Further, in partial amendment to clause 4.7.8, it has been decided to allow credit of dividend payments to QFIs on account of investment in schemes of Indian mutual funds held by them to the single rupee pool bank account subject to the condition that in case dividend payments are credited to the single rupee pool bank account, they shall be remitted to the designated overseas bank accounts of the QFIs within **five working days** (including the day of credit of such funds to the single rupee pool bank account). Within these five working days, the dividend payments can be also

utilized for fresh purchases in schemes of Indian mutual funds, if so instructed by the QFI

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

Yours faithfully,

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