



CIRCULAR

SEBI/HO/AFD/AFD-POD-2/P/CIR/2024/89

June 27, 2024

To,

1. Foreign Portfolio Investors (“FPIs”)
2. Designated Depository Participants (“DDPs”) and Custodians
3. The Depositories
4. The Stock Exchanges and Clearing Corporations

Dear Sir / Madam,

Subject: Participation by Non-Resident Indians (NRIs), Overseas Citizens of India (OCIs) and Resident Indian (RI) individuals in SEBI registered FPIs based in International Financial Services Centres in India

1. SEBI vide Master Circular for Foreign Portfolio Investors, Designated Depository Participants and Eligible Foreign Investors No. SEBI/HO/AFD/AFD-PoD-2/P/CIR/P/2024/70 dated May 30, 2024 (“FPI Master Circular”) has, *inter alia*, specified the conditions for participation by NRIs, OCIs and RI individuals in FPIs.
2. [SEBI \(Foreign Portfolio Investors\) Second Amendment Regulations, 2024](#) were notified on June 26, 2024, amending the SEBI (Foreign Portfolio Investors) Regulations, 2019 (“FPI Regulations, 2019”), to *inter alia*, provide flexibility of having up to hundred percent aggregate contribution by NRIs, OCIs and RI individuals in the corpus of FPIs based in International Financial Services Centres (“IFSCs”) in India and regulated by International Financial Services Centres Authority (“IFSCA”). In view of the amendments to the FPI Regulations, 2019, the FPI Master Circular stands modified as follows:

2.1. The existing sub-paras 1(ii)(e) and 1(ii)(f) of Part A shall be renumbered as sub-paras 1(ii)(f) and 1(ii)(g), respectively.

2.2. After sub-para 1(ii)(d) of Part A, the following sub-para shall be inserted:

“e. The provisions of sub-clause (ii) of clause (c) of Regulation 4 of the FPI Regulations, 2019 shall not be applicable to an applicant based in IFSCs in India and regulated by IFSCA, subject to the following conditions:

- i. At the time of seeking registration, the applicant shall submit a declaration stating its intent to have aggregate contribution, of NRIs, OCIs and RI individuals, of fifty per cent or more in its corpus, to its DDP. Existing FPIs may submit this declaration within 6 months from the date of this circular. The said declaration can be reviewed only at the time of renewal of registration by providing a suitable declaration to that effect.
- ii. The applicant shall provide to its DDP, copies of PAN card of all their NRI/OCI/RI individual constituents, along with the economic interest of such NRIs/OCIs/RI individuals in its corpus. In case any such constituent does not have PAN, the applicant shall submit the following documents to the DDP:
 - I. A declaration from such NRI/OCI constituents to the effect that they neither have a PAN nor any taxable income in India;
 - II. A declaration from such RI individuals to the effect that they are exempted from obtaining PAN by the Indian tax authorities and the legal provision under which they are exempt;
 - III. A copy of Indian passport, in case of NRIs;
 - IV. A copy of the OCI card, in case of OCIs;
 - V. A copy of any identity document issued by Government of India (such as Aadhaar, passport, etc.), in case of RI individuals.

Any change in such details/documents submitted by the FPI shall be considered a ‘Type II’ material change in terms of Para 14(i) below.

- iii. In case of non-individual constituents of such FPIs, which are controlled directly or indirectly by one or more NRIs/OCIs/RI individuals, or where NRI/OCI/RI Individuals together hold 50% or more ownership or economic interest on a full look through basis, the

FPI shall provide the PAN or suitable declaration and identity document as specified under clause (ii) above, of such NRIs/OCIs/RI individuals, along with the percentage of ownership/economic interest/control of these NRIs/OCIs/RI individuals in (i) the non-individual entity and (ii) the FPI, to their DDPs. Any change in such details/documents submitted by the FPI shall be considered a 'Type II' material change in terms of Para 14(i) below.

iv. The requirements specified in clause (ii) and (iii) above shall not apply to an applicant that is setup as a fund in IFSCs in India and regulated by IFSCA, subject to the following conditions:

I. Pooling: Contribution of all investors of the FPI are required, by law, to be pooled into one investment vehicle at IFSC that takes registration as an FPI with SEBI, with no side-vehicles.

II. Pari-passu and Pro-rata rights: The corpus of the FPI is a blind pool (i.e. common portfolio) with no segregated portfolios, by law. All investors in the FPI have pari-passu and pro-rata rights in the FPI, i.e., by law, they receive a share of returns/gains from the FPI in proportion to their contribution. Issuance of separate class of units by such FPI shall be permitted only for the purpose of segregation of currency of contribution, but shall be pari-passu and pro-rata in all respects, post conversion to a common currency.

III. Diversification of investments: At every point of time, up to a maximum of 20% of the corpus of the FPI can be invested in the equity shares of an Indian listed entity.

Provided that an applicant not complying with this condition at the time of registration as FPI, shall comply within a period of three months from the date of registration as FPI.

Provided further that in case of any passive breach of this condition, after the initial three months of registration, the Investment Manager / Fund Manager of the FPI shall take immediate steps to rectify the same, not later than three months

of such breach. Active breaches, i.e., breaches caused by a market action of the FPI, as opposed to price movement in the market, shall be considered a violation and dealt with as per the extant provisions of the FPI Regulations, 2019.

IV. Diversification of investors: The investors in the FPI are diversified at every point of time with the FPI having a minimum of 20 investors with each investor contributing not more than 25% to the corpus of the FPI.

Provided that an applicant not complying with this condition at the time of registration as FPI, shall comply within a period of three months from the date of registration as FPI.

Provided further that in case of any passive breach of this condition, after the initial three months of registration, the Investment Manager / Fund Manager of the FPI shall take immediate steps to rectify the same, not later than three months of such breach. Active breaches shall be considered a violation and dealt with as per the extant provisions of the FPI Regulations, 2019.

V. Independent Investment Manager / Fund Manager: No investor has a say in the investment decisions of the FPI. By law, the Investment Manager / Fund Manager of the FPI is completely independent with respect to taking investment decisions for the FPI. Further, only an Asset Management Company of a Mutual Fund (that is registered with the Board and is sponsored by a Bank regulated by the Reserve Bank of India), or its IFSC based subsidiary/branch, can be the Investment Manager / Fund Manager of the FPI.

v. The above requirements shall be fulfilled by the FPI irrespective of the actual aggregate contribution of NRIs/OCIs/RI individuals in the corpus of the FPI.

2.3. The following proviso shall be added to sub-para 1(xiii)(a) of Part C:

“Provided that in case of an FPI to which provisions of sub-clause (ii) of clause (c) of Regulation 4 of the FPI Regulations, 2019 are not applicable, the holding threshold shall be 33% instead of 50%.”

2.4. Sub-paras 17(i)(a) and 17(i)(b) of Part A shall be modified as follows:

“a. breach of prescribed limits for contribution/control by NRIs/OCIs/RIs in the corpus of the FPI (Para 1. ii. f. of Part A)

b. breach of prescribed limits for contribution by NRIs/OCIs/RIs in the corpus of the FPI (Para 1. ii. g. of Part A)”

3. The provisions of this circular shall come into force with immediate effect.
4. 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 Regulations 4(c) and 44 of SEBI (Foreign Portfolio Investors) Regulations, 2019 to protect the interest of investors in securities and to promote the development of, and to regulate the securities market.
5. This Circular is available at www.sebi.gov.in under the link “Legal ---Circulars”.

Yours faithfully,

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