



CIRCULAR

SEBI/HO/AFD/AFD-POD-3/P/CIR/2024/152

November 11, 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: Procedure for reclassification of FPI investment to FDI

1. Regulations 20(7) and 22(3) of the SEBI (Foreign Portfolio Investors) Regulations, 2019 provide that in case a foreign portfolio investor fails to divest its holdings (in excess of the prescribed threshold), within five trading days, the entire investment in the company by such foreign portfolio investor including its investor group shall be considered as investment under the Foreign Direct Investment (“FDI”), as per the procedure specified by the Board.
2. The procedure specified under Para 17 of Part C of 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 stands modified as under:

“17. Procedure for reclassification of FPI investment to FDI

- i. In case the investment made by a Foreign Portfolio Investor (along with its investor group) reaches 10% or more of the total paid up equity capital of a company on a fully diluted basis and the FPI (along with its investor group) intends to reclassify its FPI holdings as Foreign Direct Investment (FDI), it shall follow extant FEMA Rules and circulars issued thereunder in this regard.*
- ii. Pursuant to receipt of such intent from the FPI, the respective Custodian shall report the same to the Board and freeze purchase transactions by such FPI in equity instruments of such Indian company, till completion of the reclassification.*

- iii. *On receipt of request from the FPI for transfer of the equity instruments of such Indian company from its FPI demat account to its demat account maintained for holding FDI investments, the Custodian shall process the request if the reporting for reclassification, as prescribed by RBI, is complete in all respects.”*
5. The provisions of this circular shall come into force with immediate effect.
6. 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 20(7), 22(3) 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.
7. This Circular is available at www.sebi.gov.in under the link “Legal ---Circulars”.

Yours faithfully,

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