भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

CIRCULAR

CIR/IMD/FIIC/ 17/2014
July 23, 2014

To
All Foreign Portfolio Investors
through their Designated Depository Participants

The Depositories (NSDL and CDSL)

Sir / Madam,

Sub: Change in Government Debt Investment Limits

1. Present debt investment limits available for FPI investments in Government securities (G-Secs) include a USD 20 billion limit for all FPIs and another USD 10 billion limit for Long Term FPIs. While the USD 20 billion limit has been fully utilized, the USD 10 billion limit has been utilized only up to 22.86%.

2. Therefore, in partial modification of para 5 of the SEBI circular CIR/IMD/FIIC/8/2014 dated April 07, 2014, it has been decided to enhance the investment limit in government securities available to all FPIs by USD 5 billion by correspondingly reducing the amount available to long term FPIs from USD 10 billion to USD 5 billion within the overall limit of USD 30 billion.

3. The incremental investment limit of USD 5 billion (INR 24,886 cr) shall be required to be invested in government bonds with a minimum residual maturity of three years. Further, all future investment against the limit vacated when the current investment by an FPI runs off either through sale or redemption shall also be required to be made in government bonds with a minimum residual maturity of three years. It is, however, clarified that there will be no lock-in period and FPIs shall be free to sell the securities (including those that are presently held with less than three years of residual maturity) to the domestic investors.

4. The Government debt investment limit shall now be as follows :

S. No.	Type of limit	Cap (US$ bn)	Cap (INR Crore)	Eligible Investors	Remarks
1	Government Debt	25	124,432	FPIs	Available on demand. The incremental investment limit of USD 5 billion (INR 24,886cr) shall be required to be invested in government bonds with a minimum residual maturity of three years. Further, all future investment against the limit vacated when the current investment by an FII/QFI/FPI runs off either through sale or redemption shall also be required to be made in government bonds with a minimum residual maturity of three years.

It is clarified that those FPIs which had acquired debt limits in the auction held on July 22, 2014 may utilise the limit in terms of the SEBI circular CIR/IMD/FIIC/8/2014 dated April 07, 2014 i.e. the debt limits purchased in the said auction are grandfathered.

This circular shall come into effect immediately. This circular is issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992.

A copy of this circular is available at the web page “Circulars” on our website www.sebi.gov.in. Custodians are requested to bring the contents of this circular to the notice of their FII clients.

Yours faithfully,

S MADHUSUDHANAN
Deputy General Manager
Tel No.: 022-26449614
Email: smadhu@sebi.gov.in