

March 14, 2018

CLARIFICATIONS IN RESPECT OF INVESTMENT BY CERTAIN CATEGORY II FPIs¹

- I. This is in reference to SEBI circular No. CIR/IMD/FPIC/ 26 /2018 dated February 15, 2018 regarding “Easing of access norms for investment by FPIs”.
- II. In view of queries from stakeholders, the following clarifications are made in respect of investment by certain category II FPIs:-
 - (1) The collective investment vehicle of private banks/ merchant banks investing on behalf of clients need to ensure the following:-
 - a) The client/ investor should have fulfilled know your client norms. The beneficial owners (BO) of client/ investor of bank should be identified in accordance with Rule 9 of Prevention of Money Laundering (Maintenance of Records) Rules, 2005.
 - b) The client/ investor or their BO should not be Resident Indian/ NRI/ Overseas Citizen of India.
 - c) The client/ investor is not resident in a country identified in the public statement of Financial Action Task Force as:-
 - i. a jurisdiction having a strategic Anti-Money Laundering or Combating the Financing of Terrorism deficiencies to which counter measures apply; or
 - ii. a jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with the Financial Action Task Force to address the deficiencies;
 - d) The client/ investor should not have opaque structure(s), as defined under Explanation 1 of Regulation 32(1) (f) of SEBI (Foreign Portfolio Investors) Regulations, 2014 or Bearer share structure.
 - e) The collective investment vehicle of the Bank (other than for ODIs) should be broad based (more than 20 investors and no investor having more than 49% stake) and there should be common portfolio for all clients/ investors.
 - f) The conditions already specified at point (g) of SEBI circular dated February 15, 2018 shall continue to be applicable.
 - (2) Presently, appropriately regulated broad based insurance/ reinsurance companies are investing proprietary funds and for unit linked/ investment products. In this regard, it is clarified that investment in India by insurance/ reinsurance companies must be maintained as an undivided common portfolio. Segregated portfolio or investor/ policy-holder level investment structure shall not be permitted.
 - (3) In respect of other appropriately regulated persons permitted as Cat. II FPIs viz. Asset management companies, investment managers/ advisers, Portfolio managers, Broker-dealer and Swap-dealer. It is clarified that:-
 - (a) They are permitted to invest their proprietary funds,
 - (b) These appropriately regulated persons by taking separate registration can also invest with client funds as an ODI Issuing FPI or after fulfilling the condition of being broad based and having a common portfolio. However, asset management companies having thematic portfolios can also have segregated structure if each theme is broad based.
 - (4) All other investment restrictions and due diligence requirements as applicable to FPIs shall continue to be applicable on entities referred at (1) to (3) above.

¹ Available at: https://www.sebi.gov.in/legal/circulars/mar-2018/clarifications-in-respect-of-investment-by-certain-category-ii-fpis_38198.html

- III. 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.
- IV. A copy of this circular is available at the links “Legal Framework - Circulars” and “Info for - F.P.I” on our website www.sebi.gov.in. The DDPs/Custodians are requested to bring the contents of this circular to the notice of their FPI clients.

NEED TO LOOK AT THE CHALLENGE OF PROTECTIONISM AND ADOPT WIN-WIN APPROACHES: MOS, EXTERNAL AFFAIRS²

GST will yield even better results in times to come: General (Dr.) V. K. Singh (Retd.)

Minister of State, External Affairs, General (Dr.) V. K. Singh (Retd.) has said that the world is flat, connected and that nations of the world are dependent on each other, raising the need for ensuring a greater synergy in what each nation does and benefits from. The Minister recalled that India has been tagged as the world's fastest-growing large economy. He said that the current GDP growth rate of 7% - 7.5% is very good in the current circumstances. Saying that it augurs well, he said that there is a need to ensure that the manufacturing sector of the country takes off with the types of demand raised by the global and domestic economy. General Singh was speaking at the inaugural session of ‘The Gateway of India Geoeconomic Dialogue’ 2018, at Gateway House, Mumbai. The Dialogue is being held on March 12 – 13, 2018, co-hosted by Ministry of External Affairs, Government of India and Gateway House: Indian Council on Global Relations.

Delivering the keynote address, the Minister said that the global community needs to look seriously at the challenge of protectionism which is raising its head. He said that in the interconnected world of today, this challenge has become bigger. He added that we need to ensure that all our policies lead to win-win solutions and protect us from protectionism.

General Singh that on the domestic economic front, the Government has taken a number of steps to maintain a multilateral rule-based world trading order. He said that the liberalization of FDI regime has resulted in growth in FDI as well as rise in the number of sectors that attract FDI. He noted that steps taken by the Government to enforce contracts have given confidence to businessmen that their investments would be protected.

The Minister said that the Goods and Services Tax will yield even better results in times to come, through higher revenues, simpler processes for businesses and smoother provision of services. He said that the Government is taking efforts to ensure that the system is continuously improved. The Minister also noted how initiatives such as Sagarmala, UDAAN and the opening of Chabahar port are improving various types of connectivity and reducing transaction costs in India.

Expressing his happiness at attending the inaugural of the third edition of the Gateway of India Geoeconomic Dialogue, General Singh expressed the hope that the Dialogue would enable India to learn from the best practices of various countries, especially in plugging onto the digital economy in multiplying India's progress.

The opening session featured a special address by Ms. Urve Palo, Minister of Entrepreneurship and Information Technology, Republic of Estonia who spoke on ‘Designing a Global Digital Economy’, drawing lessons from the digital development journey undertaken by her country. Various distinguished personalities belonging to the business, political and social spheres from both India and abroad were present on the occasion.

Team ICSI

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² Available at: <http://www.pib.nic.in/PressReleaseDetail.aspx?PRID=1524043>