भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

CIRCULAR

CIR/IMD/FIIC/6/2013
April 1, 2013

To
All Foreign Institutional Investors
Through their designated Custodians of Securities

Dear Sir/Madam

Sub: Rationalisation of Debt Limits

1. The Government of India has issued a Press Release dated March 23, 2013 wherein, inter alia, the following measures have been proposed to simplify the framework of FII debt limits :

    a. Merger of existing debt limits into following two broad categories :

        i. Government securities of US$ 25 billion (by merging Government Debt – Old of US$ 10 billion and Government Debt – Long Term of US$ 15 billion).

        ii. Corporate bonds of US$ 51 billion (by merging US$ 1 billion for QFIs, US$ 25 billion for FIIs and US$ 25 billion for FIIs in long term infra bonds).

    b. On account of the room created by unifying the debt categories, the current SEBI auction mechanism of allocating debt limits for corporate bonds, shall be replaced by the 'on tap system' currently in place for infrastructure bonds.

2. Accordingly, in partial modification of Para 4 of the SEBI circular CIR/IMD/FIIC/3/2013 dated February 08, 2013, the categories of Government Debt Old (US$ 10 billion) and Government Debt Long Term (US$ 15 billion) shall be merged into a single category named 'Government Debt' and the combined limit shall be US$ 25 billion, equivalent to INR 124,432 crores.

3. Further, in partial modification to Para 4 of the SEBI circular CIR/IMD/FIIC/3/2013 dated February 08, 2013, the following categories of debt limits shall be merged into a single category named 'Corporate Debt' :
    a. Corporate Debt – Old for FIIs (US$ 20 billion)
    b. Corporate Debt – Old for QFIs (US$ 1 billion)
    c. Corporate Debt – Long Term (US$ 5 billion)

d. Corporate Debt Long Term Infra (US$ 12 billion)
e. QFI investment in debt mutual fund schemes which invest in infra (US$ 3 billion)
f. Investment in IDF(US$ 10 billion)

The combined limit for this 'Corporate Debt' category would be US$ 51 billion equivalent to INR 244,323 crores

4. The table summarizing the categories of debt investment limits is as follows :

S. No.	Type of Instrument	Cap (US$ bn)	Cap (INR Crore)	Eligible Investors	Remarks
1	Government Debt	25	124,432	FIIs and QFIs	Eligible investors may invest in Treasury Bills only up to US$ 5.5 billion within the limit of US$ 25 billion
2	Corporate Debt	51	244,323	FIIs and QFIs	Eligible investors may invest in Commercial Papers only up to US$ 3.5 billion within the limit of US$ 51 billion
	Total	**76**	**368,755**		

5. Vide circular CIR/IMD/FIIC/12/2012 dated April 27, 2012, SEBI had indicated that the auction of debt limits would be conducted on 20th of every month (if 20th is holiday, auction shall be done on the next working day), based on availability of free limits at the end of respective previous month. In partial modification of the said circular, it has been decided that FIIs can now invest in Corporate Debt without purchasing debt limits till the overall investment reaches 90% after which the auction mechanism would be initiated for allocation of the remaining limits, as currently in place for Corporate Debt Long Term Infrastructure bonds.

6. It is clarified that consequent to the changes as above, the facility of re-investment provided vide SEBI circular CIR/IMD/FIIC/18/2010 dated November 26, 2010 as well as the restrictions on re-investment as given in the SEBI circulars CIR/IMD/FIIC/1/2012 dated January 03, 2012, CIR/IMD/FIIC/22/2012 dated November 07, 2012 and CIR/IMD/FIIC/1/2013 dated January 01, 2013 shall no longer apply in respect of limits held/investments made by FIIs in the Corporate Debt category, till the limits are available on tap.

7. It is further clarified that for those FIIs which had obtained Debt limits in the debt limit auctions held on February 20, 2013 and on March 20, 2013, the time period for utilization

of Corporate Debt limits allocated through the bidding process shall be 60 days , in terms of the SEBI circular CIR/IMD/FIIC/22/2012 dated November 07, 2012.

8. The status of utilization of debt limits as on March 31, 2013 indicating the quantum of limits which are freely available for investments by FIIs and QFIs shall be put on the SEBI website and thereafter, the monitoring of investments by FIIs and the dissemination of daily data shall be done by the depositories in the same manner as is being done in the case of QFIs. For this purpose`e, the mechanism laid down in Para 4 of the SEBI circular CIR/IMD/FII&C/17/2012 dated July 18, 2012 shall apply mutatis mutandis. The custodians shall provide the necessary data to the depositories on a daily basis for this purpose. Accordingly, the present practice of dissemination of fortnightly debt utilization status shall be discontinued.

This circular shall come into effect immediately. This circular is issued in exercise of powers conferred under SEBI 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.

A copy of this circular is available at the web page "F.I.I." on our website www.sebi.gov.in. The custodians are requested to bring the contents of this circular to the notice of their FII clients.

S Madhusudhanan
Deputy General Manager
+91-22-26449614
smadhu@sebi.gov.in